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British Nationality Bill

The British Nationality Bill, which would establish three separate citizenships to replace the present citizenship of the United Kingdom and Colonies, has been given a second reading in the House of Commons.

The Bill, which would implement the proposals set out in the White Paper, *British Nationality Law: Outline of Proposed Legislation,* published in July 1980 (see pp 231-2, 1980) would create three new citizenships. They are: *British Citizenship,* for people closely connected with the United Kingdom, the Channel Islands and the Isle of Man; *Citizenship of the British Dependent Territories* for people connected with the dependencies; and *British Overseas Citizenship* for the remaining citizens of the United Kingdom and Colonies. The new legislation would amend the provisions relating to the right of abode contained in the Immigration Act 1971 in terms of the new British citizenship.

SECOND READING DEBATE

Secretary of State's Speech

Opening the second reading debate in the House of Commons on 28 January (*Hansard,* Vol 997, Nos 35 and 36, cols 931-1045) the Home Secretary, Mr William Whitelaw, said that citizenship was a sensitive matter about which people felt strongly. He outlined the main provisions of the Bill, describing them as follows.

British Citizenship

Part I was concerned with British Citizenship. Its first clause dealt with the acquisition of citizenship by birth and provided that a child was a British citizen at birth only if one of his parents was a British citizen or was settled in the United Kingdom.[1]

Clause 2 provided for children born abroad in the first generation to become citizens by descent if one of their parents was a citizen by birth.[1] Citizenship would not normally be transmissible as of right beyond the first generation. A child would be a British citizen if one of his parents was a British citizen, although not a citizen by birth, and was in Crown service or other service closely associated with the activities overseas of the Government. Under clause 3 citizenship would be transmissible for more than one generation by registration overseas within a year of birth if the mother or father was a citizen and was engaged overseas in employment which had a close connection with the United Kingdom. This provision recognised that people could remain closely attached to the United Kingdom while spending long periods of their working lives abroad. Clause 3 also continued the existing discretion conferred on the Secretary of State to register any minor child.

Clause 4 dealt with the acquisition of citizenship by naturalisation and made special arrangements for the acquisition of citizenship by the husband or wife of an existing citizen. The husband or wife of a British citizen would be able to apply for naturalisation after three years' residence but for others five years' residence would be required. At present a wife, but not a husband, was entitled to acquire citizenship immediately on marriage. The Bill also set out the basic requirements for naturalisation as: five years' presence in Britain; good character; knowledge of the English language; an intention to live in Britain or to be employed in Crown service or other United Kingdom based employment.

Clauses 5 and 6 would preserve for transitional periods the right to register as citizens held at present by certain people by virtue of residence in Britain or marriage. Clause 7 gave an entitlement to register to citizens of the United Kingdom and Colonies who were subject to immigration control but became patrial (had the right of abode) after five years' residence. Clause 8 conferred a right to register on people entitled to resume citizenship having previously renounced it.

Clause 9 covered the acquisition of citizenship by people who were at present citizens of the United Kingdom and Colonies with the right of abode.

Citizenship of British Dependent Territories

Part II of the Bill was concerned with Citizenship of the British Dependent Territories and its provisions were analogous to those applying to

[1]On 6 February, following representations made to him, the Home Secretary tabled amendments to clauses 1 and 2 of the Bill. The first would allow any child born in the United Kingdom who does not acquire British citizenship at birth the right to acquire it after ten years' continuous residence in the United Kingdom, irrespective of the parents' status. The second amendment would enable citizens by registration or naturalisation to transmit their citizenship to their children born overseas in the same way as people who are citizens by birth.

British Citizenship. It provided for a composite citizenship covering all the dependent territories. The Secretary of State acknowledged the wish of certain territories for their special relationship with the United Kingdom to be emphasised in the Bill, and mentioned in particular Hong Kong, Gibraltar and the Falkland Islands. The proposed legislation was in no way intended to weaken links between the United Kingdom and the dependencies and would not alter the position with regard to the United Kingdom's moral and constitutional responsibilities for the dependencies, he said. Nor would it affect the special position of Gibraltar as part of the European Community.

British Overseas Citizenship

Part III dealt with British Overseas Citizenship which, Mr Whitelaw said, was a residual category, many of whose holders already possessed another citizenship. Such people were at present subject to United Kingdom immigration control and would remain so. The arrangements – the special voucher scheme – for certain United Kingdom passport holders mainly originating from East Africa would continue.

Status of British Subject

Part IV of the Bill provided for the continuation of the recognition of certain persons as British subjects without citizenship. These were people born before 1949 who were so recognised under the British Nationality Act 1948, certain foreign women registered as British subjects under the British Nationality Act 1965 and Irish citizens born before 1949.

Commonwealth Citizens

Among the miscellaneous provisions contained in Part V of the Bill was that which defined the status of Commonwealth citizen. In addition to the citizens of Commonwealth countries listed in the Bill, British citizens, citizens of the British Dependent Territories, British overseas citizens and British subjects would have that status. But the converse – that Commonwealth citizens should all be British subjects – would no longer apply.

British Protected Persons

Provision was made for people connected with places that were formerly protectorates, protected states or United Kingdom trust territories to be declared to be British protected persons.

Amendments to Immigration Act

Clause 36 and Schedule 4 made amendments to the Immigration Act 1971. The right of abode was redefined in terms of British citizens and those defined Commonwealth citizens who would retain their present right of abode for their lifetimes.

Replies to Criticisms

Mr Whitelaw said that he wished to deal with some of the anxieties that had been expressed about the proposed legislation. The main reason why it was necessary to replace the existing law was that the citizenship created by the British Nationality Act 1948 no longer gave any clear indication of who had the right to enter the United Kingdom. Citizenship and the right of abode, which ought to be related, had over the years 'parted company'. Consequently, holders of the present citizenship of the United Kingdom and Colonies might be encouraged to believe, despite the immigration laws to the contrary, that they had a right of entry to the United Kingdom.

Referring to 'the apprehensions that have been expressed about the Bill' Mr Whitelaw mentioned allegations that certain clauses were racially discriminatory. He did not understand the basis for this. Clause 1 said that a child born in Britain should be a British citizen at birth only if one of his parents was a British citizen or was settled in Britain (see footnote above). This provision took account of the increasing numbers of children born to visitors, students and others in the country temporarily as well as the children of illegal entrants and overstayers. However, a person's racial origin was not relevant. Mr Whitelaw said he could see no substance in the criticism of the clause on racial grounds.

Clause 2 said that a child born outside the United Kingdom after the new legislation came into force would be a British citizen if his father or mother was a British citizen by virtue of birth in the United Kingdom. The present law enabled citizens by naturalisation or registration to transmit citizenship overseas in the same way as citizens by birth. Under the Bill's provision this would be changed (see footnote above). British citizens by naturalisation or registration would not generally be able to transmit citizenship to children born abroad and would be equated with citizens by descent in this respect. This was not racially discriminatory, said Mr Whitelaw. Exception would be made for those in Crown service or on business overseas. Children born overseas to a person who had acquired citizenship by registration or naturalisation would not automatically receive that citizenship but if the family returned to the United Kingdom there was provision for such a child to be registered as a citizen after living in Britain for three years with the parents.

It had also been claimed, continued Mr Whitelaw, that the Bill discriminated against women. This was not so. The Bill preserved for a transitional period of two years the entitlement of non-citizen wives to be registered. Otherwise it provided for equality of treatment in almost every area. Women as well as men would have the right to transmit British Citizenship which was an important and significant advance towards sex equality. The Bill had also been criticised because of its silence on civic rights, but these rights and obligations were already covered by separate legislation. No provision would deprive people in Britain of any of their civic rights. The Bill ensured that references to 'British subject' in this context would cover the same people as at present.

Opposition Views

The intention to oppose the Bill at all stages was expressed by the Opposition spokesman on home affairs, Mr Roy Hattersley. Long-established rights

were being diminished in some cases and in others removed, he said. In the view of the Opposition this was not a nationality Bill but an immigration control Bill. He agreed that new nationality legislation was needed: the world had changed considerably since 1948, not least because of the welcome process of colonies becoming independent nations. But what was needed in re-defining nationality, was a positive statement of nationality based upon objectively defined principles, clear of all racial considerations. From that statement a non-discriminatory immigration policy could flow without any discrimination between the races or between the sexes.

The Leader of the Liberal Party, Mr David Steel, said that Liberal members would oppose the Bill. It reduced basic rights and discriminating against ethnic minorities, and was an attempt to 'massage' nationality legislation to suit immigration policy. He welcomed the provision which allowed women the same rights as men to pass down citizenship and to give foreign husbands the same rights as foreign wives to register for citizenship. However, there would not be true sex equality until the immigration rules were changed. He deplored the innovation that some people born in Britain would not automatically be British citizens. One of his main criticisms was that the Bill did not set out the rights of citizenship. Another basic objection was that it gave more discretionary powers to the Home Secretary.

Government Summing-up

Speaking at the end of the debate, Mr Timothy Raison, Minister of State at the Home Office, said that there was agreement that the present pattern of citizenship was out of date. It reflected an imperial idea which no longer existed. The idea of a common citizenship, with freedom of movement within territories really came to an end with the era of decolonisation, and more particularly with the introduction of restrictions on Commonwealth and colonial immigration into Britain nearly 20 years ago. The main defect in the law was that the present citizenship of the United Kingdom and Colonies related both to the United Kingdom and overseas territories. It did not identify those who belonged to Britain and had the right to live in Britain and enter freely. It therefore prevented the United Kingdom from basing its immigration policies on citizenship. In these respects Britain's citizenship was different from that of many other countries, including the other members of the European Community. Mr Raison pointed out that, although the United Kingdom had hitherto adopted the so-called *jus soli* or automatic entitlement to citizenship by birth, continental European countries had generally adopted the *jus sanguinis*, which meant that citizenship was conferred on those born in the country concerned only if they had a parent who was a citizen. The Government was not proposing to go as far as that. The child of a person lawfully settled in Britain would be eligible for British Citizenship by birth.

Mr Raison concluded by saying that the Government's aim was to produce a piece of legislation that would endure. No-one who was lawfully in Britain would lose the right to be there and those settled in Britain who chose not to acquire citizenship would continue to be able to live in Britain. The Bill was a long-needed measure.

The Bill was given a second reading by 292 votes to 242, a Government majority of 50.

Royal Commission on Criminal Procedure

The Royal Commission on Criminal Procedure published its report on 8 January.[1] The principal theme is the need to place on a consistent, statutory footing the powers and duties of the police in investigating crime, the rights of suspects, and the arrangements for prosecuting offenders.

The report emphasises the need for a coherent approach to the criminal justice system and points out that, while piecemeal changes have been made in response to pressures at particular points, there has been no overall review of the subjects considered by the Commission for over 150 years.

In recent years there has been a growing anxiety about the continuing rise in the level of crime, about robbery, drug-peddling, street crime, fraud, the use of firearms and terrorism. There has been ignorance and confusion about the ways in which crime is investigated and prosecuted, and about whether, if these methods were improved, they could bring the growth of crime under control. On one side, it has been asserted that the task of the police in fighting crime and of ensuring that offenders, and particularly dangerous professional criminals, are brought to justice has been made unwarrantably difficult by the restraints of criminal procedure; and on the other side that the use of their powers of investigation by the police has often been open to grave question. Criticism has focused not only on the use made by the police of their powers of investigation, but also on the wisdom of leaving the decision to prosecute with the people who do the investigating.

According to the report, Parliament should now take action to ensure that the police have adequate legal powers to discharge their duties, that suitable safeguards are provided and that the arrangements for prosecution are put on a systematic basis. The Commission considers it the responsibility of Parliament to strike the balance between the rights of the individual and the security of the community, and to keep it under regular review.

[1] *Report of the Royal Commission on Criminal Procedure.* Cmnd 8092. HMSO, £7·50. ISBN 0 10 180920 4. Two related documents are published separately: the Commission's survey of the existing law and procedure, entitled *The Investigation and Prosecution of Criminal Offences in England and Wales: the Law and Procedure*, Cmnd 8092-1, HMSO, £7·50, ISBN 0 10 180921 2; and a summary of the report's main recommendations published as *The Balance of Criminal Justice*, HMSO, £1·95, ISBN 0 11 730131 0. The Commission, chaired by Sir Cyril Philips, a former Vice-Chancellor of London University, was set up in 1978. For its terms of reference, see pp 256-7, 1977.

MAIN RECOMMENDATIONS

The report is in two parts: the first deals with the investigation of offences, and the second with the prosecution of offenders. Some of the main recommendations, which apply to England and Wales, are summarised below.

Investigation of Offences

Investigative Powers

The Commission proposes that a single uniform power to stop and search people, where there are reasonable grounds to suspect them of possessing stolen or prohibited goods, should be available to the police throughout England and Wales. This would replace the varied procedures followed at present. A person who is stopped should be given reasons by the police officer and those reasons should be recorded by the officer at the time. A copy of the record should be made available, within a reasonable period, if the person who has been searched asks for one. A similar power to stop and search vehicles for the same purposes is also proposed. A new procedure is recommended to enable the police to apply for warrants to search for evidence of very serious offences. The Commission considers that the police should be entitled to seize any prohibited goods or evidence of a very serious offence which they find incidentally in the course of a lawful search for something else. It also recommends that the use of surveillance devices by the police should be regulated by statute.

Arrest

The present miscellany of powers of arrest should be replaced by a single power which should apply to all imprisonable offences. However, arrest should be made only where it is essential to achieve one of a list of five criteria (for example, to stop an offence which is being committed, or to prevent interference with witnesses or evidence). A further new power would enable a police officer to arrest a person committing a non-arrestable offence if that person refused to give his name and address.

Detention

Under the present law, a person detained in custody for a serious offence should be brought before a magistrates' court 'as soon as practicable', and for any other offence, within 24 hours. The Commission proposes that, where a suspected person has been detained but not charged within six hours, a review should be made to ensure that grounds for detention still exist. Except in relation to very serious offences, a suspected person should be either released or charged within 24 hours in detention. Those suspected of very serious offences who are not charged within 24 hours must be brought before a court for authorisation of further detention up to 24 hours (subject to a right of appeal on subsequent appearances). If this is not practicable, the detained person should have access to a solicitor who could ensure that the suspect's rights and welfare were being attended to.

Police Questioning

The Commission considers that questioning, if need be in custody, is indispensable in the investigation of crime.

Improved procedures for recording statements and the development of tape recording, confined initially to recording the taking of written statements, are recommended. A new procedure – the summary of interview – is proposed, making it a general practice for a police officer to conclude an interview with an oral summary of the main points made, while at the same time recording them in writing. For the more serious cases, the summary should be recorded on tape.

The Commission defends the existence of the right of silence (that is, the right of a suspect not to have to answer questions put to him both in the police station and at the court). It regards this right as a central feature of the accusatorial system, and considers it must be maintained.

Judges' Rules

The Commission considers that the Judges' Rules, which provide the existing framework for police conduct during interrogation of a suspect, should be replaced by a statutory code of practice giving clear and workable guidelines to the police on the treatment of suspects. This would deal with the general welfare of the suspect, the right of access to legal advice, the treatment of juveniles and other special categories of suspect, procedures for taking and recording statements, and the length, timing and circumstances of questioning.

The Prosecution System

According to the Commission, the present arrangements for prosecuting offences in England and Wales do not amount to a coherent system, and the report recommends the establishment of a statutory local prosecuting service for all police force areas in England and Wales. Such departments should have statutorily defined responsibilities, should be locally based, and should be headed by a new independent official – the 'Crown prosecutor'. He would take over responsibility for all criminal cases once the police had taken the initial decision to start proceedings. The police would retain their role of law enforcement and the primary responsibility for bringing detected offenders before the courts. The Crown prosecutor would provide an independent check upon decisions to prosecute and an additional safeguard for the accused.

The Commission rejects the idea of a national prosecution service, preferring a local service, and recommends that a minister should be responsible for its overall supervision, using a small prosecutions inspectorate for the purpose.

Preparation for Trial

Proposals are made for revising the procedure for bringing cases to trial and for the greater disclosure of evidence. As regards disclosure, under the present law the prosecution at a Crown Court trial supplies the defence with witness statements and depositions of the evidence which the prosecution proposes to call. The Commission believes that this principle should be extended to trials at

magistrates' courts as well, and suggests a procedure for achieving this.

THE GOVERNMENT RESPONSE

In a statement in the House of Commons on 21 January on the publication of the report (*Hansard*, Vol 997, No 21, cols 394-402), the Home Secretary, Mr William Whitelaw, said that the Government wholeheartedly welcomed the report and considered that it struck 'a fair balance between the opposing interests – those of the public in seeing that the police are adequately equipped for the tasks that we place upon them and those of seeing that the liberties of the subject are not unnecessarily constrained'.

If implemented, the Commission's proposals would cut through the 'haphazard entanglements of existing procedures . . . and replace them with a quite new procedure in which the respective positions of the police and the suspect would be clearly and systematically defined for the first time'.

As regards the first part of the report, the Government would need to make sure that in any new scheme of pre-trial procedure the power of the police would be matched by adequate safeguards for the suspect; and further it would need to be satisfied that the available information really did support any changes contemplated in the existing arrangements. As regards the Commission's proposals on prosecutions, the extension of prosecuting solicitors' departments to all police areas and the creation of a prosecution inspectorate could not be done without increases in public expenditure, and these were increases which the Government would have to measure very carefully against possible benefits.

The Government attached high value to a full public discussion of the Commission's proposals. Praising the report's 'painstaking analysis of arguments, its imaginative use of research and the comprehensive scope of its recommendations', the Home Secretary assured the House that the Government would be looking at the Commission's findings in the same reasoned and constructive spirit as they had been put forward. He concluded: 'We very much hope that this will be an ambition which we can all share and act upon so that we can as a community create a new and enduring balance in a vital area of our criminal law'.

[For an account of the criminal justice system, see COI reference pamphlet *Criminal Justice in Britain*, R5984/78.]

Criminal Attempts Bill

The Criminal Attempts Bill received its second reading in the House of Commons on 19 January. Its main objectives are to repeal the much-criticised suspected person offence (commonly known as the 'sus' law) and to codify and reform the present common law of criminal attempt.

The Bill, which applies to England and Wales, is in three parts: part 1 codifies the common law of criminal attempt and amends the statutory offence of conspiracy; part 2 is concerned with the repeal of the 'sus' law. and creates a new offence of interference with motor vehicles; part 3 deals with formal and procedural matters.

The abolition of the 'sus' law involves the repeal of section 24 of the Vagrancy Act 1824 which makes it an offence to be a suspected person loitering with intent to commit an arrestable offence. So as not to leave a gap in the criminal law which might otherwise result, the Bill creates a new offence – that of interference with motor vehicles in a public place.

The rest of the Bill is concerned with reforming the law of criminal attempt, mainly in the light of recent recommendations by the Law Commission. It creates a statutory offence of attempt: to be a criminal attempt an act would have to go so far towards committing an offence as to be more than a preparatory act. It abolishes the legal principle that a person cannot be guilty of an attempted crime if it is in fact impossible fully to commit the crime. The Bill proposes that a charge of attempted theft can be brought even if it is impossible actually to commit the offence, for example an attempt to steal from a pocket which is in fact empty. However, a person cannot be guilty of criminal attempt if he tries to do something which he believes to be an offence but which in fact is not an offence, for example an attempt to handle stolen goods which are not stolen after all.

Introducing the Bill in the House of Commons on 19 January (*Hansard*, Vol 997, No 28, cols 21-66), the Home Secretary, Mr William Whitelaw, said that the 'sus' law had become so widely mistrusted that it was now in everybody's interest that it should be repealed. The parliamentary Select Committee on Home Affairs which had reported on the 'sus' law in May 1980 had recommended its immediate repeal, and, although it had found no evidence that the police – as had been alleged – had used the offence in a discriminatory fashion, the offence had undoubtedly had a detrimental effect on relations between the police and the ethnic minorities (see p 256, 1980). Mr Whitelaw said that, while it would be wrong to pretend that there had not been instances in which the 'sus' law had served a useful purpose and would do so again if preserved, he believed that there had been a tendency among some supporters of the 'sus' law to exaggerate both the overall contribution it had made in preventing crime and to give too little weight to the other powers which the police had at their disposal.

The Government could not have agreed to the repeal of the 'sus' law without considering the possible need for other measures to fill particular gaps in the law which might be left by the repeal. The Bill had therefore made provision to cover

two situations to which the Select Committee had particularly drawn attention: it provided for a new offence of unlawful interference with vehicles in a public place; and it clarified and reformed the offence of 'impossible attempts'.

Mr Whitelaw concluded that the Bill fulfilled the clear wish of the House that the 'sus' law should be repealed, and ensured, by closing particular loopholes in the law which would otherwise result, that repeal would not deprive the public of the degree of protection which they had a right to expect. Nor would it leave the police without adequate powers to satisfy that expectation. It was also a further important step forward in the process of codifying and clarifying the present common law.

EXTERNAL AFFAIRS AND DEFENCE

British Aid Statistics

Figures published in January show that Britain's official aid programme in 1979 was the fifth largest among the industrialised countries and represented a larger proportion of gross national product than those of the United States, the Federal Republic of Germany or Japan. About two-thirds of it went to the world's poorest countries.

The figures, published in the annual *British Aid Statistics*,[1] reflect the British Government's commitment to maintain a substantial aid programme within the limits of its economic circumstances (see pp 357-60, 1980). They also show that the total flow of resources, public and private, from Britain to the developing countries is second only to that of the United States. Over the last few years, this flow has grown far more rapidly than that of any other industrialised country, and has been helped by the Government's decision in October 1979 to abolish exchange controls (see p 192, 1979). As the Secretary of State for Trade, Mr John Biffen, said in a speech in India on 21 January, the removal of exchange controls meant that British individuals and companies were now free to take their money, their technology and their experience to the place where it suited them, and this had to be of assistance to developing countries which were prepared to offer stability to the investor and which adopted a policy to encourage private firms. While private flows could not meet the needs of every country, Mr Biffen added, they did contribute to the recycling of finance and to the efficient transfer of technology and skills, and as such were an essential part of the development process.

Total Official Flows

Total official flows of British aid to developing countries in 1979 amounted to over £1,111 million gross. Of this, £891 million represented public expenditure on overseas aid.[2] The relationship between these two concepts in gross and net terms is shown in the table on p 34.

The main difference between the two categories arises from the different ways of treating contributions to international aid agencies. In public expenditure on overseas aid, promissory notes to such agencies are recorded on an encashment basis; that is, only the amounts actually drawn upon by the agencies are recorded. In international reporting, however, a deposit basis is used; the deposit of the promissory note is taken to represent a flow and, therefore, the total amount is reported. This has the effect of increasing the value of total official flows significantly above the level of public expenditure on overseas aid. This does not mean, however, that the size of financial flows has risen, but simply that the time of reporting such flows is different.

International Targets

Britain's aid represents part of a global effort to raise living standards in developing countries. Aid performance to this end is usually measured against one of two internationally recognised targets. The first, embodied in the Development Strategy for the Second United Nations Development Decade (1971-80) adopted by the UN General Assembly in 1970, calls for net flows of official development assistance to be at least 0·7 per cent of gross national product (GNP). Britain has accepted this target in principle without commitment to a target date, progress being dependent on Britain's own economy and other calls on its resources. In 1979 Britain's net official development assistance totalled £974 million or 0·52 per cent of GNP compared with £761 million in 1978 (0·47 per cent of GNP) and £632 million in 1977 (0·45 per cent of GNP). The average for all donor countries in membership of the Development Assistance Committee[1] in 1979 was 0·34 per cent of GNP.

The other international target calls for all flows, both private and official, to developing countries to represent at least 1 per cent of GNP. In 1979 Britain's total flows amounted to an estimated £4,250 million or 2·83 per cent of GNP, giving Britain the second highest performance among Development Assistance Committee members.

[1] *British Aid Statistics 1975-79*. HMSO, £9·50. ISBN 0 11 580224 X.

[2] Public expenditure on overseas aid is one of the two main British concepts for reporting aid flows, the other being the aid programme (see table on p 34). Total official flows is an international reporting concept and is made up of official development assistance, defined as official flows having a grant (concessional) element of 25 per cent or more, and other official flows.

[1] The Development Assistance Committee of the Organisation for Economic Co-operation and Development is not an aid agency but a forum of consultation among 17 donor countries, together with the Commission of the European Community, on how to increase the level and effectiveness of aid flows to developing countries. The member countries are Australia, Austria, Belgium, Britain, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland and the United States.

Relationship Between British and International Aid Concepts

£ million

	Gross	Capital Repayment (amortisation)	Net
Aid Programme	876	56	820
Plus self-financed investment by the Commonwealth Development Corporation	15	3	12
Public Expenditure on Overseas Aid	891	59	832
Less encashments by multilateral organisations	57		57
Plus deposits with multilateral organisations	227		227
Plus additional official flows	32		32
Plus debt cancellation	18	15	3
Total Official Flows	1,111	73	1,037
of which			
Official Development Assistance	1,045	71	974
Other Official Flows	65	2	63

Private flows, which have increased considerably since 1974 due mainly to increased foreign currency lending by banks resident for balance of payments purposes in Britain, consist mainly of long-term investment and export credits. They also include, however, spending overseas by voluntary aid organisations, this totalling some £27 million in 1979.

Bilateral Aid

Some £639 million of gross public expenditure on overseas aid was bilateral assistance. Of this, about £185 million was provided for the technical co-operation programme, all in grant form, the remainder being financial assistance comprising £328 million in grants, £81 million in intergovernmental loans and £44 million in investment by the Commonwealth Development Corporation (see pp 185-6, 1980).

Some 68 per cent of bilateral aid, £434 million, went to Commonwealth countries, including £26 million for Britain's dependencies, which remain a first charge on the aid programme, and £3 million to the Associated States in the Caribbean. Of the remainder, £150 million was disbursed to non-Commonwealth countries and £56 million for the benefit of both Commonwealth and non-Commonwealth countries. The largest individual recipient was India (with £153 million), followed by Bangladesh (£34 million), Zambia (£29 million), Kenya (£29 million), Tanzania (£24 million), Malawi (£23 million) and Pakistan (£22 million). The share of bilateral assistance going to the very poorest countries (those with a 1978 income of less than $320 per head) was £372 million or 64 per cent of the total allocable by country.

Aid expended on individual projects (project aid) totalled £251 million (provisionally), the principal sectors supported being transport and communications (£67 million), renewable natural resources (£42·5 million), energy (£34 million), social and community services (£32 million) and manufacturing (£22·5 million). Non-project aid totalled £203 million, of which £158 million was for import financing, £19 million for debt refinancing, £11 million for budgetary support and £9 million for food aid.

Terms of Financial Aid

In addition to inward capital repayments on previous public expenditure loans amounting to £59 million, developing countries paid Britain during the year £44 million in interest on such loans. However, most of this was in respect of investment in commercial-type projects run by the Commonwealth Development Corporation.

Both capital repayments and interest receipts will fall significantly in future as a result of Britain's decision in July 1978 to release many of the poorest developing countries from the burden of repaying past aid loans (see p 304, 1978), and due to the increased emphasis on grants in recent years. Grant commitments in 1979 were £648 million, nearly double the figure in 1977. Intergovernmental loan commitments totalled £39 million.

Overseas Service

The number of British experts working overseas has declined in recent years as nationals of the developing countries acquire the necessary skills to replace them. Some 8,760 men and women financed from public funds under bilateral arrangements and recruited in Britain served in developing countries during 1979. These included 5,600 serving under the Overseas Service Aid Scheme or similar supplementation schemes (under which they are in the service of the overseas government as teachers, doctors, nurses, etc, but receive supplementary salary and other payments from the British Government); 1,870 wholly financed under regional technical co-operation and other schemes; and 1,300 as volunteers under the British Volunteer Programme. The number of such personnel recruited during the year was 2,100 of which 370 were volunteers. In addition, 338

experts were appointed under multilateral technical co-operation arrangements to serve in developing countries under the United Nations, its specialised agencies and other international organisations.

Of the British financed personnel, including volunteers, overseas in 1979, the largest number, some 4,200, were employed in education, followed by 1,150 in planning and public administration, 1,120 in renewable national resources, 880 in trade and industry and 710 in health and social welfare.

Students in Britain

During 1979 some 16,000 students and trainees from developing countries attended courses in Britain financed from public funds under technical co-operation arrangements. Of these, 11,560 came from Commonwealth countries, the greatest number from Zimbabwe (2,718), followed by India (1,059), Tanzania (639), Kenya (437) and Ghana (410). There were also 759 students from Chile. The main fields of study were engineering, education, medicine, natural sciences, social sciences including economics, and planning and public administration. Britain financed the study of another 1,400 students in their own or other countries.

Multilateral Aid

About 28 per cent of public expenditure on overseas aid, some £252 million, went to multilateral aid agencies, £172 million in financial aid and £79 million as technical co-operation funds. The major recipients were the European Community (£118 million); United Nations agencies (£64 million); the World Bank Group (£43 million – nearly all for the International Development Association) and regional development banks (£14 million).

Middle East

British policy concerning relations with the Arab world and efforts to promote a settlement of the Arab-Israel dispute was outlined by the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, in a speech at an Arab League dinner in London on 21 January.

The Government's attitude towards the problem of financing the United Nations Relief and Works Agency was set out by the Parliamentary Under-Secretary of State for Trade, Lord Trefgarne, in a debate in the House of Lords on 14 January.

LORD CARRINGTON'S SPEECH

Noting that there had been an Arab community in Britain for many years and that it had assumed its present size and importance in the second half of the 1970s, Lord Carrington also pointed out that the Middle East had long had 'a seemingly irresistible lure for British travellers, businessmen and diplomats'. The resident British communities in Arab countries numbered some 80,000 people and reflected much the same diversity of interests as the Arab community in Britain. Arab countries and Britain remained neighbours with a common interest in peace and stability and they were mutually dependent economically.

Cultural Traditions

The Foreign Secretary said that the West and the Arab world had developed in rather different cultural directions, but this was not a cause of concern since 'a feeling of cultural identity [gave] a people a sense of national pride which [went] beyond dangerous and jingoistic nationalism'. Where culture, as in the Arab world, straddled borders, it was a force for unity and co-operation. Observing that there was no inherent conflict between Muslim and Western traditions, Lord Carrington said that they had much in common. There was no need for the West to see resurgent Islam as a force hostile to its interests or values, but it naturally hoped that this resurgence would 'spring from the positive impetus of a new confidence and sense of identity rather than from more inward-looking motives'. Responsibility for ensuring that this happened was shared and the West had to ensure that Islamic values were understood and respected in its countries.[1]

Euro-Arab Relations

Lord Carrington pointed out that Europe relied on Arab countries for some 60 per cent of its oil and that the Arab world required from Europe a great part of the imports necessary for development. Europe and the Arab countries were interdependent economically, politically and strategically. Moreover, the member states of the European Community and the Arab countries were each seeking to speak with a united voice. The progress made towards political co-operation among Community member states could not be underestimated and it was spurred on by the perception that Europe had to do more to help solve problems and avert impending dangers.

On the issue of Afghanistan Lord Carrington recalled that the Community had expressed strong opposition to the Soviet Union's invasion and occupation of that country. The fundamental requirement for a solution was Soviet withdrawal, leaving the Afghan people free to choose their own government. Here European Community member states had put forward 'a proposal for a neutral and non-aligned Afghanistan outside the competition of the powers', for this offered assurances on which a lasting political settlement could be built. Subsequently, the Community had welcomed the decision of the Islamic Conference to appoint a Committee of Three and the Islamic countries' initiative in tabling the resolution on Afghanistan adopted by the United Nations General Assembly in November 1980 (see pp 355-6, 1980). All independent countries had a common interest in the withdrawal of Soviet troops from Afghanistan, and the Foreign Secretary hoped that the West and Arab countries could stand

[1]For further information, see COI fact sheet *Some Aspects of Islam in Britain*, No 72/FSB/80.

together in working for this end in the year ahead.

Turning to the war between Iran and Iraq (see pp 290-2, 1980), Lord Carrington said that the West viewed it with concern, both because it put the stability of the Gulf at risk, and because disputes should be settled peacefully. Although it had so far been contained, the repercussions of the war spreading would be very grave. The West was not taking sides, its concern being to see an early end to the fighting. It had welcomed efforts by the Islamic Conference and the non-aligned movement to promote negotiations and had strongly supported the peace mission of the United Nations Secretary-General's special representative, Mr Olof Palme.[1] It was in everyone's interest that Iran and Iraq should agree soon 'to come to the negotiating table and to settle their differences by peaceful means'.

Arab-Israel Dispute

The Foreign Secretary said that Arabs and Israelis had to settle their differences by sitting down to negotiate together, for neither the United States nor the European Community could impose a settlement. However, there was a need for some intermediary since Arabs and Israelis had been unable to solve the dispute alone because feelings and suspicions ran too deep and many of the differences were wide. The role that the West, and particularly the United States, had played in attempting to find a solution could not be underestimated, for where there had been failure it reflected 'the extreme difficulty of many of the problems'. Referring to the Camp David process (see pp 352-5, 1978), Lord Carrington said that, although there had been forward movement, it had not produced progress on the Palestinian issue. It had, however, shown that occupation of territory hurt both occupied and occupier, that the establishment of settlements in occupied territory could only make peace more difficult, that the question of Jerusalem could not be solved through a declaration by one party to the dispute even though it had physical control of the city (see p 270, 1980), and that the Palestine Liberation Organisation would have to play a part in settling the problem. Equally Israel's future had to be secure, for Israelis and Palestinians had to find a way of living in peace side by side. The Arab cause was not served by talk of expelling Israel from the United Nations or of liquidating the Zionist entity, the only result of which was 'to convince the Israelis that there [was] no point in trying to negotiate with the Arabs'. Negotiations and a just peace settlement were impossible without the Israelis, and each had to accept the rights of the other.

It was in this area of reconciling the rights and interests of both sides, Lord Carrington continued, that the European Community believed that it could play an important role. This had been the purpose of the 1980 Venice Declaration (see pp 202-3, 1980) which had set in train a positive process of consultation and inquiry. In 1980 M. Gaston Thorn had met those concerned in the area and in December the Community had decided to continue the process of consultation with renewed energy (see p 349, 1980). The member states were united in their agreement to move forward and the new contacts would be a 'positive process of exploring ideas on key issues such as [troop] withdrawal, self-determination, security and Jerusalem'. Although it was unrealistic to expect progress too soon, the Foreign Secretary believed that 1981 offered opportunities; member states were ready to play their part with others, notably the United States, in seeing that those opportunities were used to the full. Britain and the other Community member states would aim for 'a genuine dialogue between all the parties involved'.

The Foreign Secretary emphasised that self-determination and security lay both at the heart of the principles stated in the Venice Declaration and of the problem itself. The Declaration referred 'unequivocally to the right of the Palestinians to exercise fully their right to self-determination within the framework of a comprehensive peace', for Community member states believed this to be 'essential for the achievement of a just and lasting peace'. This was, however, balanced by another requirement – the right to security of all states in the region, including Israel. The first point was a nettle that Israel had to grasp and the second was an assurance to which the Arabs, including the Palestinians, had to be prepared to bind themselves. Without both there would be no peace.

In conclusion Lord Carrington stressed that Western good faith should not be suspected, since there was no Western interest in the continuing and dangerous instability in the Middle East or in dividing Arab from Arab or in keeping Arab and Israeli divided. The West wanted to maintain good relations with the Arab world and with Israel. There was no reason why friendship with one side should give rise to suspicions on the other.

UNITED NATIONS RELIEF AND WORKS AGENCY

Speaking during a debate in the House of Lords on 14 January (*Hansard* (*HL*), Vol 416, No 18, cols 155-67), Lord Trefgarne explained that the United Nations Relief and Works Agency had been set up in 1950 to provide a solution to the humanitarian problems arising from the Arab-Israel conflict of 1948. Although it had been hoped that the need for the Agency would fall away over a period of two to three years, the problem of the Palestinian refugees had remained and the urgency of their needs had increased, not diminished. The existence of UNRWA reflected 'the continuing failure to solve . . . the dispute between the Arabs and the Palestinians on the one hand, and Israel, which gave rise to the exodus in the first place'. The refugee problem would 'not be solved until a comprehensive peace settlement [was] achieved between the Arabs and Israel, a settlement which, besides assuring Israel's future, [would] make full provision for a

[1] On 11 November 1980 the United Nations Secretary-General, Dr Kurt Waldheim, announced that Iraq and Iran had agreed to his sending a representative to the region and that he had asked Mr Palme to undertake the mission.

secure and dignified future for the Palestinian people also'. Without such a settlement a framework for the future of the Palestinians currently under the care of the Agency would be impossible.

Turning to UNRWA's operations, Lord Trefgarne pointed out that in 1950 relief had been brought to 900,000 people and that by 1980 the number had doubled to 1·8 million. The Agency continued to provide essential medical care, dentistry, supervision and advice for mothers with young children, specialist treatment, preventive medical measures, shelter, rations of flour, cooking oil, sugar and rice, and to maintain refugee camps. Important though these services were, however, the focus of UNRWA's efforts had shifted from relief and rehabilitation to vocational training and education, a total of 314,164 pupils being enrolled in the Agency's 627 elementary and lower secondary schools. In addition there were 4,700 students in vocational and teacher training centres. As a result Palestinian literacy and the proportion of Palestinian graduates were the highest in the region.

These achievements were impressive and irreplaceable, Lord Trefgarne continued, but the education programme had been placed in jeopardy by the gap of $71 million between UNRWA's income and expenditure for 1981. Savings on such a scale could not be achieved without affecting the programme in a major way. The choice before the Agency's Commissioner General lay between closing 314 schools in Jordan and Syria from the end of February 1981, thus enabling the remainder of the education programme to continue, and allowing the programme to go on until the end of the school year in May and thereby risking the collapse of the entire system then. Following the advice of the Agency's Advisory Commission, of which Britain was a member, the second alternative had been chosen in order to minimise disruption to the system during the current school year and in the hope that funds essential to the programme's survival would be found by March. To this end, Britain had expressed strong support for the Commissioner General's fund-raising efforts.

Pointing out that the Agency's programmes contributed to the stability of the Middle East 'in a real and important way', Lord Trefgarne said that the British Government's contributions over the years reflected this fact. For 1981, the contribution had been increased from £4·5 million to £5 million, the seventh successive year that it had risen. Since the Agency's inception, Britain's total contributions were second only to those of the United States and up to 1980 had amounted to $182·8 million. As a percentage of Britain's, the total contributions of other European Community member states were 29·6 per cent for the Federal Republic of Germany, 17·1 per cent for France, 9·6 per cent for Denmark, 8 per cent for the Netherlands and 2·2 per cent for Italy. In addition Britain gave about a fifth of the Community's contribution of £11·39 million in 1980, bringing its total to some £6·8 million.

Lord Trefgarne hoped that those Governments which had not yet made pledges according to their means would do so. It was wrong that the United States and Western Europe should continue to give the lion's share of the Agency's finances, for the international community as a whole had to face the problem and shoulder its responsibilities. The Government regretted 'the total failure' of the Soviet bloc to contribute to the Agency's financing and urged it to review 'this short-sighted policy'. However, it was the Arab countries, in particular the oil producers, which would have to find the substantially increased funds required. Britain acknowledged the generosity of Arab contributions which had risen considerably in recent years, but more was needed. The problem was both political and humanitarian, and it was the latter aspect which most immediately concerned the refugees whose future was at stake. Lord Trefgarne said that 'politics should not prevent the international community, and the Arab countries in particular, from making an extra effort to relieve UNRWA's growing deficit'. A political solution would be all the harder if this effort were not made.

Iran

The British Government has welcomed the release on 20 January by Iran of the United States diplomats held illegally as hostages since November 1979. At the same time, it has expressed concern about the position of four British subjects detained in Iran without charge and without trial.

Release of the Hostages

In a BBC radio interview on 20 January, the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, expressed 'relief and pleasure' at the release of the hostages. Noting that the negotiations [between the United States and Iran, with Algeria acting as mediator] had been extremely complicated, the Foreign Secretary said that 'a great deal of credit' had to go to the United States negotiator, Mr Warren Christopher, and to the Algerians who had done 'a very good job as mediators'. He disagreed with the view that the United States had given in to blackmail since the hostages were returned 'at the expense of releasing assets which [belonged] to Iran anyway'. Asked whether a joint policy for the West on dealing with hostage taking could be useful, Lord Carrington observed that it would be difficult to devise any system which would be foolproof if governments continued to behave in a way contrary to international conventions and international law.

Background

The hostages were seized in November 1979 following the occupation of the United States Embassy in Tehran by armed Iranian students (see pp 151-5, 1980). The United States responded by freezing Iranian assets under its control and in April 1980, following unsuccessful attempts to obtain the release of the hostages through United

Nations action, the then United States President, Mr Jimmy Carter, broke off diplomatic relations with Iran, imposed economic sanctions and authorised a rescue mission by United States forces which failed in its objective. In response to requests from the United States, economic sanctions were also imposed by European Community member states.

In September 1980 the Ayatollah Khomeini announced terms for the release of the hostages – the return of the wealth of the former Shah of Iran, the unfreezing of Iranian assets in the United States, the dropping of legal claims against the assets, and an American guarantee of non-interference in Iran's internal affairs. In November the Iranian Parliament voted in favour of releasing the hostages provided that the United States met these conditions. The United States responded to the vote immediately by sending a State Department team to Algiers to present a formal reply to Iran. Following negotiations, with the Algerian Government acting as mediator, the then Deputy Secretary of State, Mr Warren Christopher, signed an agreement in Algiers on 19 January, and the hostages left Iran on the next day, just after the inauguration of Mr Ronald Reagan as the new United States President.

Under the agreement the United States undertook to revoke trade sanctions against Iran; to unfreeze Iranian assets; to freeze, and prohibit any transfer of, property and assets in the United States within the control of the estate of the former Shah of Iran or of any close relative of the Shah pending the termination of litigation; and not to intervene in Iran's internal affairs. Under a separate agreement Iran and the United States committed themselves to terminate all outstanding financial claims through binding arbitration.

After signature of the Algiers agreement the United States transferred to an escrow[1] account of the Algerian Central Bank in the Bank of England all Iranian gold bullion and other assets held by the Federal Reserve Bank plus Iranian assets in foreign branches of United States banks; of these funds, totalling just under $8,000 million, some $3,700 million will be used to prepay bank loans and $1,400 million will remain in escrow until any disputes over bank loans and interest are resolved. Iranian assets in US banking institutions in the United States are to be transferred within six months; the Bank of England, acting on the instructions of the Algerian Central Bank, will transfer half of each receipt to Iran, and place the other half in a special interest-bearing security account until the balance reaches $1,000 million. Once this balance has been achieved, the Algerian Central Bank will direct that all funds received from the US banking institutions should be transferred to Iran. The security account is to be used for securing the payment of claims against Iran. If the balance in the security account falls below $500 million, Iran will make new deposits to maintain a minimum balance of $500 million in the account until all arbitral awards against Iran have been satisfied in accordance with the claims agreement.

After the release of the hostages, European Community foreign ministers issued a statement on 20 January welcoming this development and agreed to remove civil trade sanctions against Iran. Britain lifted its sanctions on 21 January but this does not affect the sale of strategic goods or arms which remain subject to export licensing control under the Export of Goods (Control) Order 1978. On 28 January the US Secretary of State, General Alexander Haig, said that the United States would not supply any military equipment to Iran.

The British Detainees

In his radio interview Lord Carrington said that the four British detainees in Iran – three missionaries and a businessman – were not hostages and were being detained without charge and without trial (see p 287, 1980). The detainees were 'clearly innocent of any crime' and he hoped that, in the light of the release of the United States hostages, the Iranians would feel that there was 'no reason whatever for keeping these four British subjects in detention'. The Foreign Secretary said that [in their 20 January statement] the nine other member states of the European Community had joined with Britain in urging the Iranian Government to release the detainees. In addition, British diplomatic representation in Tehran had been reinforced with a view to making it possible to have conversations with the Iranians about the detainees. The removal of economic sanctions also meant that British diplomats would have very much more to do.[1]

A fuller statement on Britain's attitude concerning the detainees was made by the Minister of State at the Foreign and Commonwealth Office, Mr Douglas Hurd, in the House of Commons on 14 January (*Hansard*, Vol 996, No 26, cols 1511-14). Recalling that the four detainees had been arrested in August 1980, Mr Hurd said that Britain had had no access to them 'despite the obligations of Iran under international law'. There had been no formal indication of charges apart from 'the most general and wild accusations against the Anglican Church of spying and counter-revolutionary activities'. Britain had made constant representations to the Iranian Government, and the Swedish Embassy in Tehran which represented Britain's interests had been 'continuously active in the same cause'. Mr Hurd also paid tribute to the emissary of the Anglican Church who had visited three of the detainees in December 1980.

Mr Hurd said that there had been speculation that demands might be made regarding Iranians in Britain who had been sentenced or charged before British courts. The Government could not enter into bargains of that kind for it was not possible to interfere with the course of justice in the British courts. A connection had sometimes been made with the Iranian students involved in a

[1]An escrow is a deed, bond or other engagement delivered to a third party to take effect upon a future condition, and not till then to be delivered to the grantee.

[1]In September 1980 the British Embassy in Tehran was withdrawn. British interests at present are being handled by the Swedish Embassy, and the number of British diplomats in the British interests section is now four instead of two.

fracas outside the United States Embassy in London in the summer of 1980 (see p 287, 1980). In these cases there had been a series of charges and the courts had completed the task before them. No Iranian student involved in the affair was in prison and the problem of the students had been virtually resolved.

Turning to Britain's relations with Iran, Mr Hurd emphasised that the Government had no quarrel with the Iranian revolution or any desire to interfere in Iran's affairs. Iran was an important country in the Middle East, and Britain wanted to return to its traditional friendship with Iran. It was, however, not possible to do this while the four British people were detained. The Government would continue to try to secure their release, using 'every legitimate and hopeful method', and would not be satisfied until all four had been released and restored to their families.

[On 7 February the British consul, head of the British interests section of the Swedish Embassy, saw the four detainees, and on 5 February the emissary from the Anglican Church arrived in Iran for a further meeting with the three missionaries.]

Namibia

The British Government has expressed disappointment at the failure of a United Nations meeting in Geneva to achieve agreement on a date for a cease-fire in March leading to independence for Namibia by the end of 1981.

In a statement in the House of Lords on 19 January (*Hansard* (*HL*), Vol 416, No 19, cols 239-41) the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, described the failure as 'an especially regrettable setback' in view of the great efforts of the United Nations, the five Western powers and the African front-line states to meet the reasonable concerns of South Africa and the Namibian internal parties (see below). He endorsed the appeal made by the meeting's chairman for those concerned to reconsider their position, and urged that the progress made so far in preparing the ground for a settlement should not be thrown away.

The Pre-implementation Meeting

The meeting, known formally as the Pre-implementation Meeting on Namibia, took place in Geneva from 7 to 14 January, and was convened in accordance with arrangements recommended by the United Nations Secretary-General in a report to the UN Security Council in November 1980. The report, whose conclusions were agreed to by South Africa and the other parties concerned, called for independence for Namibia by the end of 1981, this on the understanding that a date for a cease-fire and for making a start on implementing the United Nations plan for Namibia's independence, laid down in Security Council resolution 435 (see pp 350-2, 1978), should be agreed in early 1981. In the expectation that such a meeting would prove successful, and subject to a satisfactory arrangement concerning the composition of the United Nations Transitional Assistance Group (a decision ultimately resting with the Security Council), the Secretary-General proposed that implementation of the United Nations plan should begin in March 1981.

The Geneva meeting was attended by representatives of the South West Africa People's Organisation (SWAPO), led by Mr Sam Nujoma, and a delegation led by the South African appointed Administrator-General of South-West Africa, Mr Danie Hough, and comprising members of eight political groups in Namibia, including the Democratic Turnhalle Alliance. Also present were observers from the Organisation of African Unity, the African front-line states (Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe), Nigeria, and from the five Western powers (Britain, Canada, France, the Federal Republic of Germany and the United States) who drew up the settlement plan later adopted by the Security Council. The meeting was chaired by the UN Under-Secretary-General for Special Political Affairs, Mr Brian Urquhart.

Speaking at the end of the meeting, Mr Urquhart said that, at the opening session, Mr Nujoma had reaffirmed SWAPO's acceptance of resolution 435, and spoken of its readiness to co-operate with the UN Transitional Assistance Group in the implementation process and of its willingness to sign a cease-fire agreement during the meeting. The delegation led by Mr Danie Hough, however, had expressed doubts concerning the impartiality of the United Nations in implementing the resolution and its ability to afford equal treatment to the political parties engaged in the election process. In response to this, Mr Urquhart said that he had then explained the context of the United Nations' responsibility and involvement in Namibia, and referred in general terms to the nature of the undertakings which both South Africa and the United Nations would have to make in order to ensure the impartial discharge of their respective responsibilities. Subsequent exchanges had focused on achieving a declaration of intent by the parties which would have established, provisionally, an early date for a cease-fire (30 March was suggested), this to be confirmed in writing by 10 February. It had also been suggested that in the meantime specific measures could be taken to ensure – and to reflect in public decisions – the impartiality of the United Nations as well as of South Africa from the time of agreement on the implementation date. These proposals, however, had failed to meet with the approval of the internal parties.

Continuing, Mr Urquhart recalled that the meeting had been convened in response to South Africa's contention that 'acute mutual distrust and lack of confidence' between the parties was the major obstacle to reaching an agreement on an implementation date, and he wondered whether this was still the case. The meeting, however, had witnessed 'an enormous effort . . . to demonstrate good faith, reasonableness, a will to co-operate in the future and an understanding of the preoccu-

pations and anxieties of others', and it was a matter for regret that 'these extraordinary efforts' had not succeeded in facilitating an agreement. A great opportunity had been missed. The United Nations would continue its efforts to bring Namibia to independence through free and fair elections under its supervision and control, and Mr Urquhart appealed to those who had not yet accepted the Secretary-General's proposals to reconsider their position at the earliest time.

Mr Urquhart also pointed out that the meeting had confirmed that all questions relating to technical aspects of the implementation process had been resolved, and that no question of this nature would justify any delay in putting resolution 435 into effect.

Law of the Sea

DEEP SEA MINING BILL

A Bill is before Parliament to provide a temporary statutory framework within which British mining companies can continue research and development work into the mining of 'hard' mineral resources found on the bed of the world's oceans. The Government hopes that in time the Bill's provisions will be superseded by an international convention agreed under the United Nations Conference on the Law of the Sea.

Background

In 1874 a British scientific expedition discovered and recorded the presence on the seabed of deposits containing significant quantities of iron, manganese, nickel, cobalt, copper and other minerals. At the time these were regarded merely as a scientific curiosity, but more recently it has become apparent that there is commercial potential in gathering the so-called 'nodules' and recovering their useful metals.

It is not fully understood how the potato-sized nodules are formed – they lie on the seabed in a single layer – but it is clear that they need the undisturbed conditions found only in areas of the deepest oceans. Although known in various parts of the world's oceans, it is only in the North Pacific that deposits are rich enough to justify pioneering commercial operations. The prime area for these resources, far from land, lies between Hawaii and California and, according to the doctrine of the freedom of the high seas, all countries enjoy freedom to recover them.

In 1970 the United Nations General Assembly called for a Third Conference on the Law of the Sea, and adopted a resolution stating that the seabed beyond the limits of national jurisdiction, and its resources, was the common heritage of mankind. Work towards an international regime for the peaceful use of the seabed was already in hand, and since 1973 the Conference has been trying to negotiate an international system of regulation for seabed mining as part of a comprehensive new convention on the law of the sea (see p 417, 1977). The tenth session of the Conference takes place in March and April 1981.[1]

While the international negotiations have continued, mining companies from many countries have formed consortia to assess the practical possibilities of making use of the seabed resources, and to develop methods and equipment. There are now six consortia which include companies from the United States of America, Canada, Japan, the Federal Republic of Germany, France, Belgium, the Netherlands and Italy, as well as from Britain.

Since the 1960s the companies have invested over £150 million. The investment was made in the expectation that by the time the huge technical problems of developing the new industry had been resolved the Law of the Sea Conference would have worked out an internationally agreed set of regulations under which they could operate. The work has, however, proceeded very slowly and, although some progress has now been made, the pace has not kept up with the development of mining technology. The mining companies now need to embark on a second stage of development which concentrates on specific sites and can involve additional investments of up to £100 million for each project. Pending international agreement, they have turned to their own governments for national measures going at least some way towards providing the framework for development which they require.

In 1980 the United States Congress passed a Deep Seabed Hard Mineral Resources Act broadly comparable to the new British Bill, and a similar measure was passed in the Federal Republic of Germany.

The Deep Sea Mining (Temporary Provisions) Bill

The new Bill would prohibit unlicensed exploration for, or recovery of, hard mineral resources in any part of the bed of the high seas beyond the limit of state jurisdiction over the natural resources of the seabed. The prohibition would apply to citizens of the United Kingdom and Colonies resident in the United Kingdom and to bodies incorporated under the law of, and resident in, the United Kingdom. It could be extended to such citizens and bodies resident outside the country, and to bodies incorporated under the law of any of the Channel Islands, the Isle of Man, any British dependency or an Associated State. The granting of licences for such exploration and recovery would be at ministerial discretion, and the need to protect the marine environment would have to be taken into account. Exploration licences could not come into effect before the second half of 1981, 'exploitation licences' for recovery before 1988.

[1]Considerable progress was made at the ninth session in July and August 1980, especially on the question of voting procedures in the council of the proposed international seabed authority. The conference identified three principal issues for discussion at the next session: participation in the convention; the preparatory commission; and the treatment of investments in deep seabed mining made before the convention enters force. Britain considers it important that solutions are found to these questions, including a suitable provision for participation in the convention by the European Community.

The Bill proposes a levy based on the value of resources recovered, to be held in a fund for eventual payment to an international organisation for the deep seabed.

Government Views

The Bill was given an unopposed second reading in the House of Lords on 19 January (*Hansard* (*HL*), Vol 416, No 19, cols 248-70). Introducing its provisions, the Minister of State at the Department of Employment, the Earl of Gowrie, said that the Government made no claim 'that the resources of the deep seabed belong to us; nor are we imposing any conditions or restrictions on the behaviour of citizens or companies of other nations'. The aim was to provide a framework to ensure that the activities of British citizens took place in an orderly way. 'Without legislation there would remain an unregulated free-for-all which would benefit no-one here, and without legislation in this country ... [British] mining companies would be at a disadvantage compared with their counterparts in other countries.' The interim regulation set out in the Bill 'should give the companies sufficient assurance to justify continuing their development and expenditure so that they are in a position to take maximum advantage of the new international regime when it emerges'.

The Minister of State emphasised the Government's determination to achieve a satisfactory outcome of the Law of the Sea Conference, 'the long-term solution for deep sea mining'. The Bill in no way diminished Britain's commitment to that solution, nor did it attempt to pre-empt what might be decided at the Conference. It imposed a moratorium on commercial recovery until 1988 to allow reasonable time for the international convention to come into force before mining took place, and provided for taxing production to enable a proportion of the benefits to be shared with other countries when an international authority had been set up.

As part of the transitional arrangements towards an international regime the Government believed that the convention would need to include safeguards for the early investment of the pioneering mining companies. With satisfactory transitional provisions the Bill and the international convention would together form a firm statutory basis on which the development of the industry might continue in both the short and the long term.

Replying to points about the position of developing countries made by Lord Kennet on behalf of the Opposition, the Minister said that their interests had to be kept in mind 'for we consider this the common heritage of all mankind'.[1] The developing world surely had 'an enormous interest' in the continued growth and wealth creation taking place in the developed world. Without that development, and given the effects which the present recession in the developed countries was having in the Third World, 'it would be shortsighted of them if they objected to our trying to get on with development as quickly as we can, albeit within the context of seeking ... international agreement ...'. An earnest of good faith was implicit in the proposal for the levy.

[1]The 'Group of 77' developing countries is opposed to national legislation. The Lord Chancellor told the House of Lords on 6 August 1980 that the British Government does not accept that interim legislation is contrary to international law or that it should stand in the way of efforts to negotiate an international deep seabed mining regime which gives effect to the concept of the common heritage of mankind (*Hansard* (*HL*), Vol 412, No 180, col 1483).

Shorter Notes

BRITISH COUNCIL

The annual report of the British Council, published in December 1980,[1] shows that in 1979-80 the Council spent some £109·3 million in promoting knowledge of Britain and the English language overseas, in developing cultural relations with other countries, and in assisting educational advancement in the developing world. About 80 per cent of the funds were provided by government sources – the Foreign and Commonwealth Office and its Overseas Development Administration – the remainder coming from Council earnings and agency fees.

[1]*The British Council Annual Report 1979-80.* HMSO/British Council, £1·20. ISBN 0 901618 33 0.

During the year, the Council assisted nearly 20,000 overseas students and over 700 overseas academics to come to Britain, and about 3,300 British specialists in education and other subjects to work or undertake professional visits abroad. In addition, about 27,000 young people took part in youth exchange schemes. Work in support of the English language included providing tuition for some 107,000 students in Council centres in 29 countries, with another 100,000 receiving tuition at institutes and anglophile societies with which the Council is associated; and arranging for 670 English language teachers and advisers to work overseas, mainly in developing countries. Book issues by Council libraries in 1979-80 totalled 5 million from a library stock of 1·9 million, while 290 book exhibitions involving 95,000 books were held in 75 countries. In addition, some £1·03 million was spent on book presentations to institutions in over 70 developing countries, £364,000 was used to assist public library services in 50 developing countries, and 2·8 million text-books from the Educational Low-priced Book series were sold in 82 developing countries. Tours by British dance and drama organisations numbered 59 and covered 58 countries; those by British music bodies numbered 164 in 68 countries.

ECONOMIC AND SCIENTIFIC AFFAIRS

Economic and Industrial Policy

The Prime Minister affirmed in the House of Commons that the conquest of inflation remained the centre-piece of the Government's economic policy and was the only way by which the other economic goals could be achieved. The strategy being followed by the Government contained four fundamental elements: control of the money supply; the reduction of excessive government spending; the restoration of competitive unit labour costs; and the provision of an economic framework that encouraged enterprise and risk-taking. The Government was doing all it could to mitigate the harsher effects of change and to stimulate new industries, especially in areas of the highest unemployment. The prize in prospect was Britain trading with a stable currency and making much better use of the most valued of its natural resources – its manpower.

On 5 February an Opposition amendment to a Government motion was debated in the House of Commons (*Hansard*, Vol 998, No 41, cols 415-500). The amendment, which deplored the rise in unemployment and the fall in industrial output and called upon the Government to abandon its economic and monetary policies, was defeated by 309 votes to 240. The motion approving the Government's economic and industrial policies was agreed to.

Government View

Opening the debate by voicing the growing concern in the country about the high level of unemployment, the Prime Minister said: 'Despite all the measures that the Government is able to take in the provision of unemployment and supplementary benefits, and other forms of help, the loss of a job and the inability to find another is a human tragedy as well as a tragic waste of resources.' It was common ground for all Members of Parliament that 'a stable currency and the restoration of honest money ought to be the objectives of any government'. Nevertheless, in recent years Britain had suffered from high inflation as well as high unemployment, and what divided the House was how best those twin evils could be overcome. 'The centre-piece of the Government's strategy is, and will remain, the conquest of inflation.' Apart from being 'a worthy enough end in itself' this was the only way in which the Government could achieve its other economic goals.

For years, Mrs Thatcher said, there had been a widespread belief that inflation could exist at the same time as a high level of employment, with more jobs being secured if the country were prepared to tolerate a little more inflation. However, the Government had learned from the experience of the last 25 years that 'those beliefs were a most damaging illusion. Inflation and unemployment, instead of moving in opposite directions, rose inexorably together. As governments tried to stimulate employment by pumping money into the economy they caused inflation. The inflation led to higher costs. The higher costs meant loss of ability to compete. The few jobs that we had gained were soon lost; and so were a lot more with them. And then, from a higher level of unemployment and inflation, the process was started all over again, and each time round both inflation and unemployment rose.' Each successive government had a higher average rate of inflation and unemployment then its predecessor. 'It is that cycle that we have set out to break.'

The proposals advocated by the Labour Opposition and the Trades Union Congress (TUC)[1] would mean, the Prime Minister said, 'a huge injection of money into the economy, which would take us on to still higher inflation and no prospect of unemployment ever coming down. . . . This is not a recipe for more jobs; it is a recipe for more inflation and even fewer jobs.'

There would be no reliance on wage and price controls, 'which never work for long', said Mrs Thatcher, and she went on to outline the four fundamental aspects of the Government's economic strategy: control of the money supply; a reduction of excessive government spending; increased industrial competitiveness; and the setting of the right economic framework to encourage enterprise and risk-taking.

Control of the money supply was the principal weapon in the attack on inflation. Although some might consider the rate of monetary growth in the second half of 1980 to have been too rapid, the fact was that, 'whatever the figures for one indicator may show, monetary conditions taken as a whole have been tight and have helped to bring down inflation. Over the past six months retail prices have gone up by only 3·7 per cent,

[1]The TUC in its *Economic Review 1981* had called for a £4,700 million increase in public spending and a reduction in taxes.

although I believe that the figure understates the underlying trend, because of the pattern of price increases during the year.'

The second aspect of the Government's strategy was the sustained effort 'to réduce the pressure on the economy created by excessive government spending'. Unless that was done, there would 'not be room for the private sector to prosper and to create jobs, and most jobs are created by the private sector. An overgrown public sector financed by an overburdened and over-taxed private sector struggling to cut its costs to the bone would be another recipe for unemployment.' Although the Government had made some progress in reducing planned expenditure, Mrs Thatcher admitted that, because of the effects of the recession, there had been some unavoidable spending increases, particularly on nationalised industries and unemployment benefit. 'However, we shall come out of the recession with a substantial reduction in the underlying level of public spending. That will leave room for expansion in the private sector, where most of the new jobs will be created.' The Prime Minister added that the proposals received from the TUC to increase public spending by £4,700 million while reducing taxes 'would take us in completely the wrong direction. If the TUC's proposals were financed honestly they would lead to increased borrowing, and thus to higher interest rates, which would damage industry's chances of recovery.' If they were financed dishonestly 'we should be on the road to hyper-inflation'.

On industrial competitiveness, Mrs Thatcher said that 'to secure more jobs and a higher level of employment, unit labour costs must be competitive with those of our rivals'. Britain's economic decline had been caused by over-manning and a lower level of productivity than competing countries. The Government's policies were 'obliging employers to increase efficiency and cut costs'. Their success in doing this had meant that the fall in output had been accompanied by 'a much larger increase in the level of unemployment than would have been expected. That is a measure of both the extent of over-manning and the progress made in solving it – progress that is essential for survival.' The Prime Minister pointed out that wage increases unrelated to the level of output had been the other main factor in making some of Britain's industries uncompetitive. The position had been obscured for a time as increased pay had been offset by a falling exchange rate. More recently, however, the exchange rate had risen rapidly, which had led to considerable problems of adjustment. These made it 'more important than ever that higher pay should be matched by higher output'. (Mrs Thatcher explained, in reply to an interruption, that the Government did not have a positive policy for intervention in the foreign exchange market as this could not resist the market for long. Although the precise relationship between interest rates and exchange rates was not known the Government would bear in mind the level of the exchange rate when taking other decisions.) 'Although pay settlements have moderated in recent months, some are still too high. . . . Unless, therefore, our productivity takes a leap, our competitors will pull ahead even further.' Poor competitiveness was a major reason why British industry had been short of orders, the Prime Minister said, and went on to warn: 'Our competitiveness will decline further unless management and workforce share an understanding of the need to earn sufficient profits for investment, for development and for innovation.' The Government was doing all it could to promote this understanding, its approach being to return the responsibility and the initiative to where they belonged – with management and workers. This had to be done if Britain's full potential was to be realised.

The Government recognised that, unless the economic climate encouraged enterprise and risk-taking, new jobs would not be created and old ones would disappear. It was for this reason, Mrs Thatcher explained, that the Government had reduced the basic and higher rates of income tax to levels nearer those of Britain's main competitors (see pp 196-7, 1979), enabling 'those who have the talent and the energy to create new business [to] do so in this country'. For the same reason the Government had 'reduced or abolished many restrictions that prevented companies from responding to the needs of the market and developing their own initiatives. Now prices are set not by a price commission but by competition' (see pp 340-1, 1979).

The Government recognised that there were real difficulties during the transition before its policies succeeded. 'As a Government we are therefore doing everything that we can to cushion the harsher effects of change, to help people through the difficult times, and to stimulate new industries, especially in areas where unemployment is at its worst', the Prime Minister said. The Government accepted that it had a special duty to the young unemployed; now every school-leaver without a job would be offered work experience or training within six months of leaving school. Older people who had been unemployed for a long period could also be trained for new skills. Special employment and training programmes, which were helping about 800,000 people, would cost about £850 million in 1980-81. (Questioned earlier about the possibility of reducing the retirement age for men from 65 to 60 on a voluntary basis to free jobs for younger people, Mrs Thatcher explained that this would impose a net cost of some £1,700 million, which would have to be met by higher national insurance contributions from employers and employees.)

Enterprise zones (see pp 120-1, 1980), she went on, would 'bring a real stimulus to the worst-hit areas, where they will help to provide a sound base for future prosperity', and she announced the creation of two new zones, one in Hartlepool and one in South Kirkby, near Wakefield.

Concern about employment had been an important factor in the recent decision on BL.[1] Mrs Thatcher expressed the hope that all con-

[1]On 26 January the Secretary of State for Industry, Sir Keith Joseph, announced that the Government had agreed to fund the first two years (1981-82 and 1982-83) of BL's corporate plan at a total cost of £990 million (see p 49).

cerned at the company would 'make a real success of their opportunities'.

These selective policies were an essential part of the Government's strategy. 'The important thing', said the Prime Minister, 'is that they should work towards the markets of the future rather than preserve those of the past.'

Turning to the cost of unemployment, Mrs Thatcher said it had been argued that the money now paid out in unemployment and associated social security benefits would be better spent on creating new jobs. However, in 1980-81 these benefits had together amounted to £2,400 million, a sum 'not nearly sufficient to create the necessary jobs' if allowance were made for the costs of equipment, accommodation, supervisors, materials and other overheads. The Prime Minister was nevertheless convinced that new jobs would be found, predicting that they would 'come if we adopt competition policies, taxation policies and financial policies that promote the enterprise economy. Selective help in a time of change is a vital part of our policy, but we shall not be deflected from our long-term economic strategy.'

On the policy of the Opposition, Mrs Thatcher said that its amendment 'contains not a single alternative to the present policies of the Government'. Opposition policy was 'to create a new round of inflation to cure the present unemployment, quite forgetting that the present unemployment was partly caused by the last round of inflation'. This would mean that 'the inflationary dose would have to be repeated in ever larger quantities and at ever shorter intervals'.

Summarising the policy of the Government, the Prime Minister said that it wanted 'to get things in this country on a sound basis for the longer term. Our aim is to encourage an economy that will stimulate the creation of wealth. We shall not pursue short-sighted policies that conflict with that. The fact is that inflation is coming down. Wage settlements are moderating. And those things have been achieved without controls on prices or incomes. For the first time for many years we have the chance to move into expansion without those inbuilt distortions to correct, and that is a tremendous advantage. And all that against the background of our own secure supplies of energy.' Mrs Thatcher promised that 'when the wealth-creating conditions in our economy are right, when there is confidence about the value of money, when there is a realism in wage bargaining that leaves a satisfactory reward for enterprise . . . wealth will be created, wealth will be spent, and in being spent will provide the jobs – and the prize will be won'.

Opposition View

The Leader of the Opposition, Mr Michael Foot, said that the level of unemployment could 'corrode and embitter this nation's national life for months and years ahead'. It could also 'in the process, cast away the greatest of the national economic assets [North Sea oil] that we possess at this period in our history'. He accused the Government of 'wasting our greatest resource' and of using a great deal of it to pay for mass unemployment.

Mr Foot said that the Government should: increase spending by cutting taxes and increasing expenditure on public services; bring down the value of the pound to a level enabling British manufacturers to compete in world markets; control imports; help industry to modernise and create jobs; subsidise the creation of jobs in depressed areas; and devote more money to ensuring that people were properly trained to meet the recovery when it came.

The Opposition spokesman on Treasury and economic affairs, Mr Peter Shore, said that the Government had 'crippled industry with unprecedentedly high interest rates. The foreign exchange rate is, in effect, a large subsidy to competitive imports, and at the same time a large tax on our exports. [The Government has] radically reduced the real level of public expenditure.'

Mr Shore went on to accuse the Government of confusing demand inflation with cost inflation. He said that there was no evidence of demand inflation, nor could there be, 'when nearly 90 per cent of British industry is working below capacity'. However, there was, and had been for years, cost inflation.

Mr Shore gave three reasons why he felt that the Government's strategy would not work. First, there was the false belief that inflation, even if it could be reduced further, could be kept at a low level. He felt that the fall which had taken place so far had 'been brought about by an increase in unemployment and by the pressures on company profitability. The moment that these pressures ease and the economy begins to expand, there is every likelihood, in the absence of reasonable agreement with the parties involved on both sides of industry, that collective bargaining will again press hard upon costs and that the process of inflation will start again.' Secondly, there was the belief in the existence of 'a natural and spontaneous capacity for growth up to the full employment level, or near it, in an unregulated but inflation-free private economy'. Mr Shore felt that this doctrine had not worked in the 1930s and would not work in the 1980s. There would not be a return to full employment 'unless there is a serious effort by governments to stimulate demand in their own countries and internationally, unless they join with others in a major and concerted effort to achieve continuing expansion in world trade and world output'. Thirdly, he detected a mood of 'anger and resentment in industry and management which sooner or later will explode'. Mr Shore referred to the number of company liquidations in 1980 and, for 1981, he forecast a 'further spate of major industrial disasters'.

On the exchange rate he said that 'a strong pound, based on a strong and competitive industry', was to be welcomed by all. However, it was an entirely different matter when the high exchange rate was the result of high interest rates in London and the phenomenon of North Sea oil.

Mr Shore concluded with a call for a reduction in minimum lending rate (MLR) and for increased investment. Every fall of one percentage point in the borrowing rate for industry, he pointed out, meant an annual saving in costs of about £350

million. On investment, he felt that the best way of reviving demand with the least risky effects on the trade balance and on inflation was by means of increased investment in publicly owned industries and in the housing programme. It was time for the Government 'to draw a serious distinction between that part of the public sector borrowing requirement that is simply attributed to current expenditure and that important part that is spent on investment and that is of benefit to both public and private industry'.

Government Reply

Winding up for the Government, Mr John Biffen, the Secretary of State for Trade, concentrated his remarks on what he thought was the major cause of disquiet, the current level of unemployment, not merely for what it had meant in terms of output and the wider industrial challenges, but also because of the regional difficulties it caused. Clearly, it was a situation of very considerable adversity, but there were signs of improvement. First, pay settlements were now 'more in touch with reality'. Evidence from the Confederation of British Industry suggested that, in the current pay round, settlements in the private sector had fallen from an average of over 16 per cent in July to less than 10 per cent in November and December. Secondly, wholesale prices had risen by very little recently, the index having increased by only 3-4 per cent over the previous six months. Thirdly, industrial relations had improved, the number of stoppages in 1980 being the lowest in the post-war period (see below). Fourthly, there had been reductions in MLR[1] and the Government was (in the words of Mrs Thatcher in a television interview given on 1 February) 'particularly eager to move [further] as soon as we can' in that respect. Finally, on the world recession, Mr Biffen referred to the 'measured confidence' of the Governor of the Bank of England who, in a speech made earlier that week (at the Banquet of the Overseas Bankers Club), had said, 'it seems likely, in the absence of any major shocks to the system, that the worst of the recession is behind us; and that at some point later this year the world economy will start to grow again.'

Defending the Government's spending, revenue and borrowing policies against the charge that they had led to the present unemployment levels, Mr Biffen emphasised that, from the outset, the policies had always been 'modest and gradualist'. A measure of this was the fact that the Government had planned to reduce aggregate public spending by less than 5 per cent over the lifetime of the Parliament (see pp 123-30, 1980). Moreover, 'even these gradualist programmes have been consciously modified to take account of the recession', he pointed out.

'If we are concerned with unemployment – the debate is predominantly about unemployment – we must look ... to our general competitive situation and the sharp impact upon it of a rising exchange rate ... [which] has appreciated by over a quarter since 1979. That explains more than any other single factor the transformation that has taken place in the economy and the impact that it has had on levels of employment', Mr Biffen went on.

He felt that three factors were important in analysing the strength of sterling: oil; MLR (a difficult factor to quantify); and the confidence of overseas investors. The real key to the debate, he felt, should be the Government's response to sterling's strength, which was having its impact on employment. The fact that the exchange rate was the consequence of market forces had to be accepted. This was why the Government had abolished exchange controls (see pp 338-9, 1979). The Government was also committed to secure reductions in MLR 'consistent with appropriate spending, revenue and borrowing policies'. Proposals by the TUC for budgetary action in the next few months totalling £6,200 million were not consistent with a reduction in MLR.

The increasing demand for import controls 'could only have as a consequence a further hardening of the exchange rate'. The Government's policy had been to try to keep them to a minimum, resorting to them only for highly sensitive items such as steel and footwear.

The Secretary of State ended with an expression of the Government's commitment 'to pursue tax and competition policies that will enable our industry and commerce to adjust as speedily as possible to the new market conditions created by an oil-related exchange rate'. He said: 'We have to see that we accept all the challenges of industrial and commercial change. ... The free enterprise system ... can see that we respond, so that Britain can live with a powerful exchange rate, no less than other countries.' Mr Biffen regarded the impending vote as being 'between the policies that we are seeking to pursue and the alternative, which is a hankering after a return to the regulation of all the economic factors in the economy'.

[1]MLR was reduced from 17 per cent to 16 per cent on 3 July 1980 and from 16 per cent to 14 per cent on 24 November 1980.

Industrial Disputes

Figures for the number of industrial disputes in Britain during 1980 are the lowest for 40 years. International comparisons of industrial disputes over the ten years to 1979 show Britain's record on industrial disputes to be better than those of a number of other major industrial countries.

Provisional figures published by the Department of Employment show the number of stoppages of work beginning in 1980 to be 1,262, compared with 2,080 in 1979.[1] This is the lowest annual total since 1941, and is less than half the annual average of 2,598 over the previous ten years.

Stoppages of work in progress in 1980 resulted in the loss of about 11,910,000 working days during the year (at establishments where the

[1]*Stoppages of work due to industrial disputes in 1980.* Employment Gazette, January 1981, Vol 89, No 1, pp 25-6. HMSO, £2. ISBN 0 11 726224 2.

Table 1

Stoppages in Britain 1970-80

Year	Stoppages beginning in year	Workers* involved in stoppages (thousand)			Working days lost in stoppages (thousands)		
		Beginning in year		In progress in year	Beginning in year		In progress in year
		Directly	Indirectly		(a)	(b)	
1970	3,906	1,460	333	1,801	10,854	10,908	10,980
1971	2,228	863†	308†	1,178†	13,497	13,589	13,551
1972	2,497	1,448†	274†	1,734†	23,816	23,923	23,909
1973	2,873	1,103	410	1,528	7,089	7,145	7,197
1974	2,922	1,161	461	1,626	14,694	14,845	14,750
1975	2,282	570	219	809	5,861	5,914	6,012
1976	2,016	444†	222†	668†	3,230	3,509	3,284
1977	2,703	785	370	1,166	9,864	10,378	10,142
1978	2,471	725†	276†	1,041†	8,890	9,391	9,405
1979	2,080	4,121	463	4,608	28,974	29,051	29,474
1980	1,262	664	122	789	11,833	‡	11,910

(a) The figures in this column include days lost only in the year in which the stoppages began.
(b) The figures in this column include days lost both in the year in which the stoppages began and also in the following year.
*Workers involved in more than one stoppage in any year are counted more than once in a year's total. Workers involved in a stoppage beginning in the year and continuing into another are counted in both years in the column showing the number of workers involved in stoppages in progress.
†Figures exclude workers becoming involved after the end of the year in which the stoppage began.
‡As some stoppages were still in progress at the end of the year this figure is not yet available.

Table 2

Working days lost through industrial disputes per 1,000 employees in selected industries* (mining, manufacturing, construction and transport) 1970-79. International Labour Office statistics

	1979 (Provisional)	Average for 10 years 1970-79	5 years 1970-74	5 years 1975-79
United Kingdom	2,430	1,088	1,186	990
Australia†	1,560	1,298	1,394	1,202
Belgium	320	489	520	458
Canada	1,660	1,840	1,724	1,956
Denmark	140	581	1,002	160
Finland	270	1,150	1,418	882
France	350	312	300	324
Germany (Federal Republic)	40	92	92	92
India	2,180	1,527	1,530	1,524
Irish Republic	3,920	1,163	682	1,644
Italy‡	2,560	1,778	1,746	1,810
Japan	40	215	288	142
Netherlands	na	82	118	38
New Zealand	na	550	402	735
Norway	na	88	116	53
Spain	3,260	1,241	214	2,268
Sweden	20	42	66	18
Switzerland‡	§	3	2	4
United States‡	890	1,211	1,380	1,042

*The figures are restricted mainly to these four relatively strike-prone industry groups by the ILO to reduce the effects of different industrial structures and improve the basis of comparison of strike rates between the countries.
†Including electricity and gas; excluding communication.
‡Including gas, electricity and water.
§Negligible.
na Not available. Averages relate to those years for which figures are available.

Table 3

Working days lost through industrial disputes per 1,000 employees in all industries and services – European Community 1970-79

	1979	Average for 10 years 1970-79	5 years 1970-74	5 years 1975-79
United Kingdom	1,291	572	630	513
Belgium	197	269	294	244
Denmark	83	260	436	84
France	209	211	208	213
Germany (Federal Republic)	19	36	40	32
Irish Republic	1,905	789	616	962
Italy	1,600	1,312	1,313	1,311
Netherlands	77	43	57	29

Source: Eurostat – *Employment and Unemployment 1973-79* (Statistical Office of the European Communities).
Note: In Luxembourg the number of strikes is negligible and no statistics are available.

disputes occurred), compared with 29,474,000 during 1979 and an annual average of 12,870,000 over the previous ten years. A single strike in the steel industry accounted for 8·8 million, or 74 per cent, of the working days lost in 1980.

The aggregate number of workers involved in stoppages in progress in 1980 was about 789,000 (including 122,400 workers indirectly involved at the establishments where the disputes occurred) compared with 4,607,800 in 1979. This is the second lowest number of workers involved in stoppages in progress during the past decade.

Figures for stoppages over the past ten years are given in Table 1.

The Department of Employment has also published figures showing international comparisons of working days lost through industrial action.[1] Two comparisons are given: one is compiled by the International Labour Office (ILO) and restricted to major industries in 19 countries, the other is produced by the Statistical Office of the European Communities and covers all industries and services for the European Community member countries. The statistics cover ten years to 1979.

On the basis of the ILO figures (see Table 2) the strike record in the United Kingdom is broadly middle-ranking compared with other countries. Although there was a marked rise in the number of days lost per thousand employees in 1979 in Britain (mainly because of the engineering dispute in the autumn), the average incidence over the five-year period 1975-79 was lower than the five-year average of 1970-74. Seven countries including Australia, Canada, Italy and the United States experienced more days lost per thousand employees over the period 1975-79. In the European Community comparison, however, the number of working days lost in Britain in 1979, while exceeded by those for the Irish Republic and Italy, was six times greater than the number for the next country in the list, France (again the engineering strike was an important factor). In the average figures there is less difference between Britain and countries lower down the list.

[1] *International comparisons of stoppages.* Employment Gazette, pp 27-8.

Trade Union Immunities

The Government has published a discussion paper on possible changes in the law covering industrial action and the operation of trade unions and employers' associations.[1] A Green Paper published on 15 January looks at a number of controversial issues, notably immunity for trade union funds, immunity for secondary action, picketing, definition of a trade dispute, legally enforceable collective agreements, secret ballots, closed shops and protecting the community. It also discusses the question of replacing immunities by a system of positive rights. Comments on the paper are being sought by the end of June 1981 from interested groups.

The paper was introduced by Mr James Prior, Secretary of State for Employment, who pointed out that, although the extent and scope of the legal immunities granted to trade unions have been prominent in discussions on industrial relations, there has been 'widespread misunderstanding of the nature of these immunities'. The absence of good working relationships in many parts of British industry had led, Mr Prior continued, 'to a questioning of the scope which the law permits to industrial action and to a wider debate about the role of trade unions and management in our society'. 'We should never forget', he said, 'that this recurrent difficulty in getting good relations in the workplace also threatens to produce wider and deeper rifts in the community as a whole. If we are to meet the challenges and opportunities that the nation will face when the

[1] *Trade Union Immunities.* Cmnd 8128. HMSO, £5·30. ISBN 0 10 181280 9.

present recession lifts, the practice of our industrial relations must be improved.'

Introduction

Chapter 1 of the paper places the debate in its social and economic context. It argues that an improvement in industrial performance is dependent on improved industrial relations, covering not only the incidence of strikes but also restrictive practices, outdated working methods and overmanning. Changes in the law, the paper says, can influence attitudes and behaviour over time, but 'good industrial relations cannot simply be legislated into existence'. Reform must also come from within; from trade unions and employers adapting their institutions and practices to the social and economic pressures for change. The role of law, the paper accepts, has to be seen as only one factor in an evolutionary process also conditioned by conventions, institutions and understandings. The purpose of the paper is to 'prompt a wide and informed debate on the law concerning industrial action and on the role in modern life of trade unions and employers and their duties and obligations'.

Chapter 2 of the paper considers the history and development of trade union immunities from the nineteenth century to the Employment Act 1980 (see pp 21-3 and 77-9, 1980). In Britain, it is pointed out, the law governing strikes and other industrial action is based on a series of legal immunities which protect those who organise and take part in disputes from both criminal and civil liability. Without these immunities most industrial action would be illegal, and trade unions, their officials and their members would be liable to criminal prosecution or to civil actions for damages every time they were involved in a strike, unless due notice to terminate contracts of employment were given. These immunities have, the paper suggests, been increasingly questioned in the past 20 years, both for being too wide and because of the complexity of the law on which they are based.

Possible Changes to the Present Law

Chapter 3 examines possible changes to the existing framework of industrial relations law, particularly the scope and extent of the immunities which the law at present confers on the organisers of industrial action.

Immunity for Trade Union Funds

This is at present contained in the Trade Union and Labour Relations Act 1974. In Britain the trade unions have grown up within a legal system which has since 1906 protected them from legal action for the unlawful acts of their members. The immunity for trade unions is wider than for individuals who organise industrial action, and the paper considers the case for bringing the immunities into line. It discusses whether making unions liable to being sued would encourage them to exercise greater authority over their members or might, on the contrary, lead to more 'unofficial' action (that is, industrial action not officially sanctioned by a union). Further aspects discussed include that of determining when unions would be liable in law for the unlawful acts of their members and whether employers would be willing to sue unions for damages if the law enabled them to do so.

Secondary Industrial Action

This has, as the paper outlines, already had its immunity restricted by the Employment Act 1980. The possibilities of various degrees of further restriction are considered, bearing in mind how far it is desirable and practicable to impose this.

Picketing

Restriction of immunity to those picketing at their own place of work has already been imposed by the Employment Act 1980, and a number of further restrictions of immunity are considered, for example, that strikers not in dispute with their own employer but picketing in the course of a sympathetic (that is, secondary) strike would have no immunity in respect of picketing.

Definition of 'Trade Disputes'

Possible amendments to the definition of a 'trade dispute' are considered, since the immunities granted to individuals in the Trade Union and Labour Relations Act 1974 apply only to acts done 'in contemplation or furtherance of a trade dispute'. One suggestion made is that there might be some measurement of the importance of the trade dispute element and that a dispute might only fall within the definition of a trade dispute if that element were found to be significant compared with other elements.

Legally Enforceable Agreements

The paper notes that a feature which distinguishes British industrial relations from those of most western industrial countries is the absence in Britain of legally enforceable collective agreements. For employers, the paper says such agreements 'could undoubtedly provide a period of stable industrial relations and continuous production which is a prerequisite for efficient and expanding business and the planning of investment. If these benefits were realised the consequent benefits for trade unions and their members would be appreciable: higher wages, improved conditions and greater job security in return for guarantees of industrial peace'. However, the paper alludes to the difficulty of introducing enforceability within the framework of British industrial relations and suggests the possibility that 'the task of convincing negotiators of the value of legal enforceability is primarily an educational one and an essential prerequisite is still the need to secure an improvement in the nature of collective bargaining and the form of agreements concluded, particularly procedure agreements'.

Secret Ballots

Secret ballots for the election of union officers or before industrial action are dealt with next. The Employment Act 1980 makes available funds to encourage unions to adopt postal ballots and the paper considers ways in which secret ballots might be encouraged or required before industrial action is taken. The proponents of a wider use of

secret ballots take the view that 'in a matter of such importance to an employee's livelihood as a strike, it is right that he should have the opportunity of registering his view on the issue in a secret ballot'.

The Closed Shop, and other Issues relating to Membership or Non-membership of a Union

The Government is opposed to the principles underlying closed shops, although it recognises that many employers as well as trade unions consider them of value in helping to create stability in industrial relations. Related areas which the paper covers include: refusal to handle work from non-union companies, refusal to work with non-union labour, and clauses in contracts specifying that the sub-contractor use only union labour. Any practice, the paper says, which makes the holding of a job and the continuation of business dependent on the holding of a union card cannot be convincingly defended. There are, however, practical limitations on the extent to which such long-standing practices can be eradicated by law and there is inevitably some uncertainty about the effects of trying to do so.

The Protection of the Community against Industrial Action by Workers in Essential Services

Powers already available under the Emergency Powers Acts 1920 and 1964 are described, and it is pointed out that the 1920 Act specifically prohibits the Government from declaring a regulation under the Act outlawing a strike or peaceful picketing. The paper considers the possibility of measures such as a statutory cooling-off period, the power to make strikes unlawful, and restrictions on the right to take industrial action by workers in essential industries.

A System of Positive Rights

Chapter 4 considers whether and how immunities could be converted into a system of legal rights, similar to those operating in a number of other countries, based on the positive right to strike. The paper indicates some of the difficulties which there would be in reconciling the legal framework of such a system with the existing common law. It points out that there is nothing in a positive rights system which is inherently more restrictive of trade union power than the present system, and policy issues raised in chapter 3 would still need to be settled. It is suggested, however, that the positive rights system might have greater simplicity and clarity and could be framed in terms which related more directly to industrial experience. To the extent that a system of positive rights changed the function of the courts from the upholding of individual rights into the defending of collective rights the system might also help to remove the unions' 'traditional suspicion of the courts'.

The paper points out, however, that such a system would not necessarily make for simpler legislation, or for certainty about the lawfulness or otherwise of all actions; and there would always be difficult cases for the courts to decide. The success of the system would also depend to a large extent on the nature of the rights it established and on the success with which it resolved the conflicting considerations discussed in chapter 3.

Conclusion

Chapter 5 provides a concluding summary. The Government, it says, believes that 'improvements in our industrial relations are essential to our economic recovery'. . . . 'The question is how far improvements . . . can be brought about by changes in the law.' Immunities are not simply legal privileges which could be abolished outright; without some legal protection – however circumscribed – it would be impossible for trade unions or individuals to organise industrial action without risk of civil proceedings. 'The debate . . . is about the nature and the limits of that legal protection.'

The Government and BL Ltd

The Government is to make available some £990 million to BL Ltd, the state-owned motor manufacturer,[1] over the two years 1981-83, to help its continuing programme of restructuring and investment in new projects, including the new LC10 series of medium-size cars. Clearance from the European Commission will be required before the funds are allocated.

Announcing this in the House of Commons on 26 January (*Hansard*, Vol 997, No 33, cols 636-8) the Secretary of State for Industry, Sir Keith Joseph, referred to BL's corporate plan for 1981 – which contains BL's strategy for returning the company's businesses to viability in the medium term and foresees a need for some £620 million of additional government equity in 1981-82, £370 million in 1982-83 and £150 million over the two following years. Sir Keith said that the Government supported BL's intention of creating viable businesses (that is, to draw the various operating units into four distinct businesses – BL Cars, Land-Rover, Unipart (spare parts) and the Leyland Group (buses and commercial vehicles) – to enable management to concentrate on well-defined product groupings) and of attracting private capital into them (the BL board sees collaboration with other manufacturers as an important part of its strategy for recovery and for reducing and eventually removing dependence on government support[2]). The Government had therefore approved the plan and agreed to fund its first two years (including the first phase of the LC10 programme), subject to regular monitoring by the BL board of progress in achieving its objectives. The Government, as shareholder (see below), would also be watching closely the financial performance of the company. Sir Keith said that the BL board and management had assured him

[1]The company passed into state ownership in 1975 (see p 24, 1976). The company's name was changed from British Leyland Ltd to BL Ltd in 1978.

[2]One collaborative project has already been negotiated with Honda, the Japanese motor company, and is expected to result in the launch of a new car towards the end of 1981.

that they would not hesitate to take whatever difficult and fundamental decisions were necessary about the future of the company if circumstances, inside or outside BL, required it.

The Government's decision to fund the first two years of the corporate plan was explained by the Minister of State for Industry, Mr Norman Tebbit, during a House of Commons debate on amendments to the Industry Bill on 4 February (*Hansard*, Vol 998, No 40, cols 315-17). Mr Tebbit said that the Government had considered three questions. First, did the plan offer a realistic prospect of success? Second, what would be the consequences of refusing to support the plan? Third, was there any middle way between supporting the plan fully or refusing to support it?

Answering the last question first, Mr Tebbit said there was no middle way that made commercial sense for BL. Selling off currently profitable parts of the company to reduce the cash call on the Government would adversely affect BL's long-term objective of collaboration with other manufacturers, since these would be attracted by the profitable parts of the business. The Government had also considered not supporting the plan. Closure of the company would mean considerable job losses both inside BL (which employs 140,000, of whom half are in the car business) and outside the firm, with attendant costs to the taxpayer resulting from redundancy payments, unemployment benefits and lost tax revenue. While these were 'heavy considerations', said Mr Tebbit, they were not the 'overwhelming' ones. 'If at any time', he said, the Government 'became convinced that the company did not have a viable future', then it 'would not shrink from taking the appropriate action, costly though it might be to the taxpayer, because not to do so would be even costlier'.

The decision had therefore turned on the first question, whether BL had a chance of achieving the objectives set out in the plan. Although BL had returned a poor financial performance in 1980, the Government had concluded that this was due to economic factors beyond the company's control. Many other British manufacturers had found it difficult to adjust to the rise in the value of sterling during 1980, and many other major vehicle manufacturers all over the world had reported large losses. BL had not been alone in its difficulties. Against the financial performance there had been 'some of the best news for years from BL', Mr Tebbit said. 'It was an unprecedentedly good year for industrial relations within the company. Fewer than 2 per cent of working hours were lost due to disputes. A substantial new package covering working practices was introduced . . . , and productivity in BL Cars rose by 10 per cent after a sustained fall for several years.' In addition 'some of the first fruits of past investments' had started to come through during 1980. As well as the 'highly successful' launch of the Metro,[1] BL had introduced a new heavy truck model (the Roadtrain) which had had a good reception.[1] These, and modifications to existing products, had helped to improve the company's market share in the second half of 1980. The Government believed, said Mr Tebbit, that under difficult conditions 'the BL management and workforce made real progress towards improving competitiveness'. Weighing the alternative courses of action the Government had decided to fund the company's plan for two years. He repeated, however, that the Government would not 'shrink from taking realistic decisions' if circumstances made it necessary. If there was no hope for BL, there was no point in pursuing the plan.

[1]The Mini Metro, a small car, was launched in October 1980. Assembled on one of the most automated car production lines in the world, it is more economical in fuel consumption than any other car built in Europe, according to Department of Transport tests.

Transfer from the NEB

Sir Keith concluded his Commons statement by affirming that it was the Government's intention that its majority shareholding in BL should be transferred from the National Enterprise Board (see p 168, 1976) to the Secretary of State for Industry. This transfer would not, however, take place until the Industry Bill (see p 18) received Royal Assent. The Government would meanwhile discuss with BL matters arising from the change of ownership, in order to ensure continuity of the company's financial arrangements.

The Fishing Industry

Under the provisions of the Fisheries Bill, which received its second reading in the House of Commons on 12 January, there will be new powers to allocate finance to the sea fishing industry, provision for more effective fisheries conservation, an extension to dolphins and porpoises of restrictions on whaling, and help for fish farming.

Problems of the Industry

Introducing the Bill (*Hansard*, Vol 996, No 23, cols 1139-1217), the Minister of Agriculture, Fisheries and Food, Mr Peter Walker, described it as a major piece of legislation for the British fishing industry. Noting that the 1970s had been an unhappy period for the industry, Mr Walker said that it had suffered 'the major loss of the long-distance facilities in the Icelandic waters, the near disappearance of the herring stocks, the failure to reach agreement on a [European Community] common fisheries policy, and a massive increase in the cost of energy'. As a result, some considerable changes had taken place in the basic structure of the fishing fleet. The number of deep-sea vessels had been reduced from nearly 100 in 1977 to 52 in 1980, and the proportion of the industry's total catch, measured in tonnes, coming from the long-distance fleet was now only 9 per cent, compared with 91 per cent for the inshore and medium-distance fleet. Partly as a result of the determination of some long-distance fisher-

[1]It was voted 'Truck of the Year' for 1981 by a panel of commercial vehicle journalists from ten European countries organised by the London-based *Truck* magazine.

men to transform their ships to ships more suited to the fish available, the number of vessels in the British fishing fleet had increased from 6,900 in 1977 to almost 7,300 in 1980. These changes had been difficult and painful, but Mr Walker felt sure that they had brought the industry hope that the 1980s would be a time of expansion and confidence. The Government's proposals were designed to facilitate this.

The Minister regretted that there was still no European Community agreement on a common fisheries policy, for it was important 'to have an agreement that [would] bring about sensible conservation policies throughout Europe and . . . give [Britain's] fishing industry preferential areas in which to fish and adequate quotas to secure a sound and sensible future'. Conservation and quota control on a European basis had 'considerable advantages' which would give long-term confidence to the industry as a whole (see pp 289-90, 1980).

The fact that the Government had given £37·5 million in aid to the industry in the 1980-81 financial year, four times the average figure for the previous four years, indicated its determination 'to ensure a viable fishing industry which [could] take full advantage of a common fisheries agreement when it [was] reached'. The object of the Bill was to ensure that institutions, mechanisms and powers could be created for the Government to enable the fishing industry to succeed in the 1980s.

Sea Fish Industry Authority

The Bill provides for the replacement of the White Fish Authority and the Herring Industry Board by a single body, the Sea Fish Industry Authority, with powers to improve the marketing and consumption of fish, to promote the export of sea fish, to give advice and to carry out research and development. The Authority will also be empowered to give financial assistance, to undertake functions in relation to training, and to provide services for overseas interests as long as these do not prejudice its activities for the benefit of the British industry. It will consist of 12 members, eight of whom will come from the industry.

The Minister said that the Authority's income would be derived from a levy and that it would be empowered to base this upon tonnage or value. Any level and method of levy would be subject to ministerial and parliamentary approval. In addition, the Bill makes provision for government loans to the Authority, and government finance would continue for research and development work.

Financial Assistance to the Industry

Mr Walker said that the Bill would enable the Government to provide financial aid to the fishing industry and to take full advantage of financing measures arising from a Community fishing agreement concerning structures. This was of 'immense importance', for the industry had agreed that changes in its structure were needed especially in former deep-sea fishing ports such as Hull where the fleet's future would not be the same as its past.

Conservation

Turning to the question of conservation, Mr Walker recalled that since the late 1960s all British Governments had pursued 'positive conservation policies', and he paid tribute 'to the degree to which the British fishing industry [had] both understood the need for them and in the main complied with them'. In doing so it had been sensible, since the pursuit of short-term policies that ignored the problems of conservation would have eradicated the industry's future. The British fisherman had always taken the view that conservation was necessary to restore and improve fish stocks. The Bill substantially improved the Government's facilities in operating conservation policies sensibly and flexibly, and as effectively against foreign vessels as British ones. One clause made it an offence for any fishing vessel to fish in British fishing limits in contravention of a directly applicable European Community instrument.

Mr Walker said that one of the keys to the future of British fishing was 'a genuinely effective conservation policy operating in Europe'. In discussions on a Community fishing agreement the Government had made it clear that Britain wanted a permanent system of control to ensure that all member states complied with agreed conservation measures. Although each member state had to be responsible for conservation measures in its own waters, Britain was insisting that there 'should be a regular inspection to see whether all countries [were] effectively operating the regulations laid down by the Community, and that there should be a proper staff, given by each of the countries concerned and reporting regularly to the Commission, to ensure that that [was] done'. Noting that the European Commission had in the main accepted Britain's proposals and that it would be putting them to the Council of Ministers, Mr Walker said that there were 'no logical or valid grounds' for any minister to disagree with the proposals if he favoured an effective measure of European conservation or the effective operation of quotas. Once a conservation policy was achieved it would provide a basis for expansion since, for species in which the British fishing industry had an interest, there would be years in which the total allowable catches would increase and not diminish.

Whaling

Recalling that British legislation already banned the catching of whales in British fishing limits and by British registered ships anywhere in the world (see pp 240-1, 1979), Mr Walker said that the Bill would extend this ban to cover dolphins and porpoises and would raise the penalties for whaling offences. It would be welcome to conservation interests, for there had been broad agreement on the measures that Britain had taken to try to stop whaling activities.

Fish Farming

Mr Walker stressed that the Government believed in encouraging fish farming which could make a contribution to the British economy. Observing that an enormous amount of research and activity was taking place in other countries, he pointed

out that the Bill made provision for government grants including those that would enable the industry to take advantage of European Community grants. The Government would also be empowered to take measures on research and development. Commenting that fish farming was often looked upon in terms of freshwater fish, Mr Walker said that the potential expansion of fish farming in the seas around Britain's coasts could not be underestimated. The Bill would be of help in respect of the fast-developing shellfish farming activities.

MEETING OF COMMUNITY FISHERIES MINISTERS

In a statement to the House of Commons on 12 February (*Hansard*, Vol 998, No 46, cols 991-9), Mr Walker said that the Council of European Community fisheries ministers, meeting from 9 to 11 February, had failed to reach agreement on a revised common fisheries policy. He had informed the European Commission that the system to prevent cheap imports from third countries was not working effectively, and it had undertaken to examine the problem urgently in order to make the system more effective.

The Government had decided to bring forward a review of the industry's financial position and a team of industry representatives and government officials would examine immediately all allegations of illegal and unfair imports of fish.

Transport Bill

The Transport Bill, which includes measures designed to improve road safety and to permit the introduction of private capital into certain transport industries, has received its second reading in the House of Commons. The main clauses of the Bill would provide for the introduction of private capital into subsidiaries of the British Railways Board and a reconstituted British Transport Docks Board, the abolition of the National Ports Council, the establishment of a new points system of disqualification for repeated driving offences, the strengthening of the law on drinking and driving, changes in the law on licensing and testing of motorcycles, and changes in the basis of taxation of heavy goods vehicles.

PARLIAMENTARY DEBATE

The Bill received its second reading in the House of Commons on 13 January by 312 votes to 235 (*Hansard*, Vol 996, No 24, cols 1243-332).

Government View

Opening the debate, the Secretary of State for Transport, Mr Norman Fowler, said that the Bill had two major themes. The first was the introduction of private capital into publicly owned industries. The Government saw no advantage to the public, either as taxpayers or consumers, in keeping businesses in the public sector when they could do better outside, with access to private capital and with freedom from controls and government interference. The second major theme concerned the reform of motoring laws and the provisions on road safety, where the changes represented 'some of the most important reforms since the 1960s'.

British Rail Subsidiaries

The Bill contains powers to enable the British Railways Board to implement the policy agreed with the Government of introducing private capital into its main non-rail subsidiaries (see p 253, 1980). These include Sealink UK Ltd (the largest short-sea ferry operator in Europe), British Transport Hotels Ltd, British Rail Hovercraft Ltd and certain British Rail property holdings. British Rail would be empowered to sell shares in any of its subsidiaries or to dispose of parts of the undertaking or the assets of such subsidiaries, and to establish employee share schemes in subsidiary companies.

Mr Fowler noted that non-railway subsidiary companies had much more in common with their private sector competitors than with the railways and there was no overriding reason for them to remain in the public sector. He said that these subsidiaries had suffered rather than benefited from being part of the public sector. They had been subject to public sector constraints and had lacked investment and, until recently, management attention as successive boards of British Rail had taken the view that priority had to be given to the railways. That had remained a problem and the only sensible answer was the introduction of private capital into the non-railway businesses. Under its existing powers, the British Railways Board had already set up a holding company, British Rail Investments Ltd, to which ownership of the three existing non-rail subsidiaries and of the non-operational property assets would be transferred in due course. The company would provide a focus for implementing the policy agreed by the Government and British Rail. It would have the freedom to find the best solution for each business, but it would have to dispose of a controlling interest in the businesses and their future investment would have to be financed by private capital. Mr Fowler said that at present there were no plans to introduce private capital into other British Rail businesses, but there might be a role for private investment and this was an issue he would want to consider with the British Railways Board at a later stage.

British Transport Docks Board

The Bill provides for the replacement of the British Transport Docks Board (BTDB, which operates 19 ports in Great Britain including major ports such as Southampton, Hull, Grimsby/Immingham and a number in south Wales) by a new two-tier organisation. A holding company registered under the Companies Act 1948 would take control of a reconstituted BTDB, to be known as British Ports,

as if it were a wholly owned subsidiary. The holding company would be empowered to issue shares and other securities to the Secretary of State for Transport as directed.

Mr Fowler said that the advantage of the changes proposed for the BTDB was that they would give full commercial freedom to the Board which would no longer be subject to intervention and interference from the Government. He pointed out that the BTDB was a successful organisation, deriving its strength from 'a good mixture of ports, a strong management team and generally sound industrial relations'. The Government intended that the business should remain as one unit. It planned to take 51 per cent of the shares in the holding company, but he stressed that the Government would not control the holding company. As with British Rail, the Government wanted to see employees' shareholding schemes established so that those who worked in the businesses would have a commitment and stake in their future success.

National Ports Council

The Bill provides for the abolition of the National Ports Council, a body set up in 1964 to advise the Government on policy issues involving ports in Great Britain and financed mainly by a statutory levy on the industry costing £1·25 million a year. The Secretary of State said that, having considered the case of the Council very carefully, the Government had concluded that greater responsibility for progress in the ports should be placed on the industry itself. Accordingly, the Council would be abolished and its assets and liabilities transferred to the Government, while the British Ports Association (the trade association for the ports industry) was already organising itself to meet the new tasks for which it would become responsible.

Road Safety

The Secretary of State described the three main changes to the law on road safety contained in the Bill affecting the 'totting-up' system, drinking and driving, and motorcyclists. He said that the trouble with the present totting-up system, under which a driver who committed three endorsable offences within three years was liable to be disqualified from driving for at least six months, was that it did not distinguish between offences.[1] For example, a driver who committed three minor speeding offences was liable for the same penalty as one who committed three potentially more dangerous offences, such as reckless driving, and this seemed to him to be illogical. A government working party had considered improvements that could be made in road traffic law and had concluded that the totting-up system should be replaced by a points system. Under the new points system set out in the Bill, which was based on the working group's recommendations, current endorsable offences would be graded according to their severity by a fixed number of points (ranging from one for minor offences up to ten for offences such as reckless driving or being in charge of a motor vehicle when unfit through drink or drugs). When 12 points had been accumulated within three years, a driver would almost always be disqualified for at least six months.

Mr Fowler pointed out the seriousness of drinking and driving offences; one-third of drivers killed in road accidents had more than the prescribed level of alcohol in their blood (80 milligrammes of alcohol in 100 millilitres of blood). The effects of the Road Safety Act 1967 (which had strengthened previous legislation) had worn off and new efforts had to be made to improve the effectiveness of the law. Measures were being taken to increase the efficiency with which the law was enforced. Breath testing, which worked well in other countries, would become the main means of determining a person's alcohol level for evidential purposes, largely replacing the need for blood and urine samples. The statutory limit of breath alcohol concentration for drivers would be 40 microgrammes of alcohol in 100 millilitres of breath. Mr Fowler said that sections of the Road Traffic Act 1972 had been revised with the aim of removing procedural loopholes in the law which had led to a number of undoubtedly guilty drivers escaping conviction on technicalities.

Mr Fowler explained the measures being taken to deal with the problem of road safety and motorcyclists. He said that in 1979 over 1,100 motorcyclists had died on Britain's roads and 66,000 had been injured, while in terms of distance travelled a motorcyclist was 30 times more likely than a car driver to be killed or seriously injured. The present law permitted an inexperienced 17-year-old to ride a motorcycle without even having to take a test (at present there is no specified time within which a holder of a provisional licence for a motorcycle must qualify for a full licence), and only 15 per cent of motorcyclists received training compared with over 90 per cent of car drivers who obtained professional instruction. He thought it essential that more motorcyclists should take training and follow that by taking the driving test in the near future, and he considered it was wrong for a learner to be able to ride a modern 250-cc (cubic centimetre) machine. Accordingly, the Bill would restrict learner riders to less powerful machines with a performance more appropriate to the general level of their experience and skill; introduce a two-part test for motorcyclists, the first part involving an examination off the road of the motorcyclist's machine-handling abilities and the second part similar to the present on-the-road test; and limit the duration of the motorcycle provisional licence so that a motorcyclist would no longer be able to ride as a learner virtually for the rest of his or her life.

Vehicle Excise Duty

Under the Bill the basis of assessing vehicle excise duty on goods vehicles would be altered from unladen weight to gross weight and, for heavier

[1]Offences on conviction of which a driver will have his or her licence endorsed with a record of the conviction. For certain serious offences, such as causing death by reckless or dangerous driving or driving under the influence of drink or drugs, disqualification is mandatory.

vehicles, would take account of the number of axles. The objective, Mr Fowler said, was to relate taxation on heavy lorries more closely to the damage they caused to the roads. The new system would be fairer and had been endorsed by the Armitage report (see pp 18-19).

Opposition View

The Opposition's chief spokesman on transport, Mr Albert Booth, said that the Bill contained much that was controversial and little that was good. The provisions dealing with British Rail subsidiaries would create a way of destroying an important part of British Rail and failed to meet the urgent needs of the railways. The Opposition also opposed the provisions concerning the BTDB and did not believe that any part of this profitable enterprise should be handed over to the private sector. In addition, it was opposed to the abolition of the National Ports Council, which had given valuable advice to ministers on ports matters, in the absence of any other body that could direct the organisation and investment in British ports. Mr Booth said that the road safety provisions were important, but should have been introduced as a separate Bill and not included in a Bill containing highly controversial matters.

International Comparisons of Taxes and Social Security Contributions

Britain was seventh out of 12 countries in 1978 in the proportion of gross national product accounted for by taxes and social security contributions (39 per cent), three places lower than in 1971. If social security contributions are omitted and only taxes included, the proportion for Britain was 32 per cent, putting it in fourth position.

The December 1980 issue of *Economic Trends*[1] contains an article on international comparisons of taxation and social security contributions in 17 member countries of the Organisation for Economic Co-operation and Development (OECD) in 1971 and 1978 (although complete data for 1978 are not available for all 17 countries).

Taxes and social security contributions accounted for 39 per cent of gross national product (GNP) at market prices in Britain in 1978, putting Britain in seventh place out of 12 countries (Table 1). In 1971 Britain had been in fourth place with 41 per cent. Table 2, which gives comparisons of taxes, only, as a percentage of GNP, shows that Britain's proportion again declined between 1971 and 1978, from 35 per cent to 32 per cent, causing a fall from third place to fourth.

For 18 OECD countries estimates for 1978 and preliminary estimates for 1979 are given of total tax revenue (including social security contributions) as a proportion of gross domestic product at market prices. Britain occupied tenth place in both years although its percentage fell from 35 per cent in 1978 to 34 per cent in 1979.

The article gives international comparisons of the distribution of total tax revenue (including social security contributions) by category of tax in 1978. In Britain taxes on the incomes of households (including unincorporated businesses) accounted for 34 per cent of the total, putting Britain fifth out of ten countries. The proportion was highest in Sweden (43 per cent) and lowest in France (15 per cent). Taxes on corporate income were 7 per cent of the total in Britain, which was in fourth place out of ten countries. Japan had the highest proportion (19 per cent) and Sweden the lowest (2 per cent). In Britain taxes on expenditure provided 40 per cent of tax revenue, a proportion only just exceeded by Canada. Switzerland, with 23 per cent, had the lowest proportion of the 12 countries compared. (Value added tax accounted for 23 per cent of all taxes on expenditure in Britain. Comparisons for 1978 were possible for seven other countries, in which the share ranged from 43 per cent in Italy to 62 per cent in Belgium.) Social security contributions accounted for 18 per cent of tax revenue in Britain. Of the 12 other countries in the comparison only Canada, with 12 per cent, and Australia, where such contributions were not payable, had a lower share. The highest proportion (43 per cent) applied in France. (Employers' contributions amounted to 60 per cent of all social security contributions in Britain in 1978, putting Britain fifth out of the nine countries for which comparisons could be made. In the Netherlands the employers' share was only 50 per cent while in Italy it was as high as 79 per cent.) In Britain, as in most of the countries compared, taxes on capital amounted to less than 1 per cent of the total.

Between 1971 and 1978 the only significant change in the distribution of taxes in Britain was the increase from 14 per cent to 18 per cent in the proportion accounted for by social security contributions. This was balanced by smaller falls in the shares of taxes on corporate income and on expenditure.

The article concludes with an analysis of international variations in the proportion of personal income taken by taxes on household income and by social security contributions. Table 3 shows that in eight of the 13 countries (including Britain) the share of taxes on household income in 1978 was within the range 12-16 per cent. In Spain such taxes amounted to 3 per cent of personal income and in Sweden to 23 per cent. Only in Canada did social security contributions take a lower proportion of personal income than in Britain. Only in Britain, Canada and Japan did taxes on household income as a proportion of personal income fall between 1971 and 1978. Over the same period all 12 countries shown in Table 3 in which social security contributions were payable experienced a rise (usually by one or two percentage points) in their share.

[1]HMSO, £6·45. ISBN 0 11 726030 4.

Table 1
Taxes and social security contributions as a percentage of GNP at factor cost

	1971 Percentage	Rank	1978 Percentage	Rank
Sweden	51	2	60	1
Norway	52	1	56	2
Netherlands	47	3	52	3
Belgium	40	6	47	4
Federal Republic of Germany	40	5	45	5
France	40	7	44	6
Britain	41	4	39	7
Italy	31	10	36	8
Canada	37	8	35	9
United States	32	9	33	10
Switzerland	25	11	32	11
Japan	22	12	25	12

Table 2
Taxes as a percentage of GNP at factor cost

	1971 Percentage	Rank	1978 Percentage	Rank
Sweden	41	1	44	1
Norway	39	2	41	2
Belgium	28	6	34	3
Britain	35	3	32	4
Netherlands	30	5	32	5
Canada	34	4	31	6
Federal Republic of Germany	27	7	29	7
United States	26	8	25	8
France	25	9	25	9
Italy	19	11	23	10
Switzerland	19	10	22	11
Japan	17	12	17	12

Table 3
Taxes on household income and social security contributions* as percentages of personal income in 1978

	Taxes on household income	Social security contributions
Australia†	16	—
Austria†	12	13
Belgium	15	12
Britain	14	7
Canada	13	5
France	6	17
Federal Republic of Germany†	13	15
Italy	8	12
Japan	5	8
Netherlands	13	18
Spain†	3	11
Sweden	23	15
United States	13	9

*Including employers' social security contributions.
†Data for 1977.

Shorter Notes

RATE SUPPORT GRANT SETTLEMENT 1981-82

The 1981-82 rate support grant settlement[1] for England, which entailed a fall in the volume of planned local government current expenditure and a reduction in the proportion financed by grants from central government, was described by the Secretary of State for the Environment, Mr Michael Heseltine, as representing 'a significant contribution to the Government's public expenditure policies'.

A new system of block grants is to be introduced with the intention of rectifying the disadvantages of the existing system of double grants. Under this, authorities receive two grants, one designed to compensate for differences between authorities in their needs and the other to compensate for differences in resources. The disadvantages of the existing system are that, first, the calculation of needs is based solely on past expenditure so that if an authority spends at a high level it is regarded as having a high level of needs; and, secondly, the operation of the resources grant means that there is no discouragement to increase spending and so take a larger share of grant.

In England local government current expenditure of £18,423 million at 1981-82 estimated outturn prices will be taken into account for the settlement. This was 3·1 per cent below the figure for 1980-81, Mr Heseltine told the House of Commons on 16 December 1980 (*Hansard,* Vol 996, No 19, cols 216-18). Central government Exchequer grant would amount to £10,895 million, 59·1 per cent of expenditure, compared with 60·1 per cent in 1980-81. Specific grants, transport supplementary grant and national parks supplementary grant would together amount to £1,868 million, leaving £9,027 million for rate support grant. This includes an allowance for increases of 6 per cent in earnings from annual pay settlements in the current pay round after 1 November 1980 and, provisionally, in the round beginning on 1 August 1981. It also includes an allowance for average price increases between 1980-81 and 1981-82 of 11 per cent.

The Secretary of State pointed out that the settlement reversed the recent drift of grant to London at the expense of the provinces. (Between 1980-81 and 1981-82 the share of grant going to non-metropolitan areas will rise from 53·6 per cent to 54·4 per cent while that going to London will fall from 16·7 per cent to 15·8 per cent. The share of other metropolitan areas is virtually unchanged at a little under 30 per cent.)

For Wales, current expenditure of £1,187 million at 1981-82 estimated outturn prices would be subject to grant, Mr Nicholas Edwards, Secretary of State for Wales, announced in the Commons the same day (cols 234-7). This sum provided for a volume of expenditure some 3 per cent below the level local authorities were asked to achieve in 1980-81. Exchequer grant of £871 million would be 73·4 per cent of expenditure, a higher proportion than would apply to England but one which reflected the substantially lower rateable values in Wales. A total of £126·5 million would be accounted for by specific grants, transport supplementary grant and national parks supplementary grant so that £744·5 million would be left for rate support grant.

Current expenditure in Scotland of £2,458·5 million at November 1980 prices would be subject to grant in 1981-82, Mr Malcolm Rifkind, Under-Secretary of State for Scotland, announced in the Commons on 17 December 1980 (*Hansard,* Vol 996, No 20, cols 436-7). This represented a reduction of 2·7 per cent from the corresponding figure in 1980-81. Exchequer grant would amount to £1,639·8 million, 66·7 per cent of expenditure, compared with 68·5 per cent in 1980-81. Of this, rate support grant would be £1,503·1 million.

The settlements for Wales and Scotland would include the same allowances for pay and price increases as the settlement for England.

[1]Rate support is a system whereby central government supplements the finances for current expenditure of local authorities so that they can provide services for which they are responsible to similar standards while reducing disparities in their rates.

BRITISH AEROSPACE PUBLIC LIMITED COMPANY (PLC)

Arrangements have been completed for the offer for sale of up to 100 million ordinary shares, that is, up to half the total number of ordinary shares of British Aerospace PLC (see p 14).

Announcing this in the House of Commons on 4 February (*Hansard,* Vol 998, No 41, written answers, cols 157-60), the Minister of State for Industry, Mr Norman Tebbit, confirmed the special arrangements for employees of the company previously announced (see p 14) and said that so far as possible, the Government's intention of promoting the widest possible ownership of shares would be taken into account when making allocations in the event of over-subscription.[1] The Government would hold the same proportion of the total number of shares immediately after the offer for sale as were sold to the public under it – that is, between 48·37 per cent and 50 per cent of the issued share capital of the company – the balance of this capital (a maximum of 3·26 per cent) being those shares acquired by or on behalf of the eligible employees under the special arrangements applying to them. Mr Tebbit confirmed (see p 381, 1979) that in order that the company should remain under the control of citizens of the United Kingdom and colonies, its articles of association restricted the number of foreign-held shares at any one time to 15 per cent of all voting shares in issue.

In a letter to the chairman of the company, the Secretary of State for Industry, Sir Keith Joseph, made it clear that the Government did not intend to use its rights as a shareholder to intervene in the company's commercial decisions. The Government was prohibited under the British Aerospace Act 1980 (see p 264, 1980) from using its powers under that Act to increase the proportion of

[1]It was announced on 16 February that the shares had been oversubscribed.

ordinary shares it held following the offer for sale and could use its remaining powers to acquire shares – under the Industry Act 1972, as amended by the Industry Acts 1975 and 1980 – only if the company itself sought financial assistance and if the Secretary of State was satisfied that such assistance could not, or could not appropriately, be provided by him. Regarding the offer for sale, the letter pointed out that the Government did not intend to sell any more of its shareholding in the company for the foreseeable future and that, in any event, it intended to retain a shareholding conferring more than 25 per cent of the voting rights ordinarily exercisable by shareholders.

WIND ENERGY

Plans for Britain's first large-scale wind power generator, to be built at Burgar Hill in Orkney, were announced by the Secretary of State for Energy, Mr David Howell, in the House of Commons on 27 January (*Hansard*, Vol 997, No 34, written answers, col 347). Mr Howell said that it was hoped to have the aerogenerator, with a generating capacity of about 3 megawatts (MW), in operation by 1983-84. The Department of Energy would provide support of up to £4·6 million for the project, with the remaining £1 million being provided by the North of Scotland Hydro-Electric Board (NSHEB). There would also be a smaller machine with a capacity of 250 kilowatts, which was expected to enter service on the same site in October 1981 and to provide useful data for the larger machine. Mr Howell described the project as 'an important step in the development of wind power in the United Kingdom' and said that it would enable Britain 'to gain experience of the basic problems of aerogenerators through the development of a large prototype'. The high wind speeds in Orkney, together with the relatively small capacity of its electricity grid and high generating costs of its diesel sets, made it a good site for testing wind generators.

The larger aerogenerator would incorporate a horizontal axis turbine having two blades of total diameter 60 metres[1] and the axis would be 45 metres above the ground. The machine would operate at wind speeds of 7-27 metres per second and 3 MW would be generated when wind speeds were between 17 and 27 metres per second. It is envisaged that the main contractors for the project will be the Wind Energy System Group (comprising Taylor Woodrow Construction Ltd, British Aerospace Dynamics Group and GEC Power Engineering Ltd) which put forward a proposal for the aerogenerator following consultations with the NSHEB and the South of Scotland Electricity Board. The Group would also provide half of the cost of the smaller 20-metre machine, expected to amount to £1 million, the remainder being financed by the Department of Industry and the NSHEB. It is hoped that this will result in the development of a British capability for machines of the 20-metre diameter size, which are expected to be used in a number of other windy areas of the world where energy costs are high, particularly islands.

[1]1 metre = 3·281 feet.

NEW COINS

A 20 pence coin is to be issued in 1982 and a £1 coin in 1983, the Chancellor of the Exchequer, Sir Geoffrey Howe, told the House of Commons on 27 January (*Hansard*, Vol 997, No 34, written answers, col 357).

In a booklet issued at the time of the announcement[1] the Royal Mint said that the present system of coinage was unsatisfactory in three ways. First, the range of coins was inadequate. There was strong evidence that a 20 or 25 pence coin and a £1 coin would be needed within the next three years; £1 coins would be cheaper to maintain in circulation than notes and would widen the range of goods which could be sold through vending and ticket machines. While more 10 pence coins were required today than in the early 1970s to buy the same amount of goods, the 50 pence coin was too high a denomination for many of these transactions. Secondly, the coinage was too heavy, being bulkier than that of, for example, the Federal Republic of Germany and the United States. The introduction of the 50 pence coin had significantly increased the average weight of a pocketful of change; the 50 per cent increase in the total number of coins in circulation since decimalisation in 1971 had added to the problem. Thirdly, the present system could not be developed along existing lines. The difference in diameter between the 10 pence and 50 pence coins was too small to accommodate a coin of intermediate size and value while one of large denomination, if bigger than the 50 pence, would be unacceptably heavy.

The 20 pence coin will be seven-sided, of cupro-nickel, approximately ⅞ inch (22 millimetres) in diameter. The Royal Mint has recommended that the £1 coin be of the same diameter, but round, and struck in a yellow metal and with a distinctive security edge. The present intention is that it will initially circulate alongside the £1 note, which the Bank of England will phase out over an extended period.

The Chancellor said that, over the next few months, the Royal Mint would be consulting the banks and others most closely concerned about the proposals. By the middle of this year he expected to be ready to announce the precise specification of the new coins and their date of issue. In the meantime the selection of designs would proceed.

[1]*Proposals for a £1 Coin and a 20p Coin.* Available free from the Royal Mint, 7 Grosvenor Gardens, London SW1W 0BH.

EFFECTIVE EXCHANGE RATE FOR STERLING

Two changes were made by the Bank of England on 2 February in calculating the official effective index for sterling: one affects the currency weight-

ings and the other the base year. The proposals to make the changes had been announced by Mr Nigel Lawson, Financial Secretary to the Treasury, in the House of Commons on 14 January (*Hansard*, Vol 996, No 25, written answers, col 588).

An effective exchange rate index shows the change in the value of a currency as a weighted average of changes in its exchange rate against other individual currencies. Because exchange rate movements have implications for a country's balance of trade, some form of trade-weighting is often used in the calculation of the index. From March 1977 the Bank had used weights derived from the multilateral exchange rate model of the International Monetary Fund (IMF) so that the official effective exchange rate index for sterling was a weighted average of the sterling exchange rates with the 20 other currencies used in the model. These rates were expressed as ratios of values prevailing on 18 December 1971 (the 'Smithsonian parities', see pp 30-2, 1972). The IMF has recently revised its model, reducing its coverage from 21 to 18 currencies (including sterling), and has updated the weights to take account of trade flows in 1977 rather than 1972. The main weighting change is the sharply reduced weight assigned to the United States dollar.

As well as using the new weights, the Bank has re-based the index on average exchange rates prevailing during 1975 instead of the December 1971 Smithsonian parities. This brings the index into line with related British economic series and the IMF series of effective exchange rates. On 2 February the effective exchange rate for sterling, as calculated by the new weights and the re-based index, was 104, compared with 80·2 on the basis of the old method.

Monthly averages of two new indices are in future to appear in the official publication *Financial Statistics*. The performance of sterling will be shown against the United States dollar and against the currencies of those countries participating in the European Monetary System (see pp 416-18, 1978).

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